

uring stories

FINANCIAL TIMES

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Europeans resent pressure over Mexico rescue

Leading European finance officials are privately resentful at having been pressed by the US into backing a \$60m rescue package for Mexico. The UK, German, Swiss, Dutch, Belgian and Norwegian governments abstained from the International Monetary Fund board decision to contribute \$17.5m to the rescue. They considered the US was using other governments' money to pursue its own policy objectives in Mexico, and to bail out US institutions which stood to lose money. Page 3

Leader for Italy's left: Economics professor Romano Prodi, former head of Italian state industrial holding IRI, agreed to head a broad coalition of centre-left parties to fight the next election. Page 2

Norway offers exploration blocks: Western Europe's biggest oil producer offered 26 exploration blocks, easier conditions, and the opening of new acreage as part of Norway's second-biggest round of petroleum concessions in 25 years. Page 3

Moscow decree: Page 2

Grozny air raids resume: Russia bombed the south-east approaches to Grozny in a renewed attempt to wrest the region from Chechen separatists. Russian army open to attack. Page 2

Polaroid axes jobs: The US photography company will axe up to 600 jobs or 5 per cent of its workforce under a restructuring plan. Polaroid said this would mean a \$40m to \$60m first-quarter charge. Page 6

Mark Thatcher accused of theft: Mark Thatcher, son of Britain's former prime minister, Margaret Thatcher, is being accused of ransacking and stealing from the office of a Texas aviation fuel company. The allegations feature in a civil rights action filed in Houston by Jay Langhorne, a former business associate. Page 4

Kingfisher chief's tax advice: The personal tax advice of Kingfisher chief executive Sir Geoffrey Mulcahy and his wife has been paid for by the UK stores company. The payment, not previously declared to shareholders, has cost Kingfisher about \$4,000 each year since the early 1980s. Page 5

Major seeks to reassure unionists: British prime minister John Major tried to reassure unionists over the direction of the Northern Ireland peace process, saying Ulster's people would not be forced out of the Union against their will. Page 22

Decisive push: Page 8

London stocks move ahead on mixed data:

A strong opening to the new Wall Street session overrode mixed foreign and domestic economic news on the London stock market. The FTSE 100 Share Index gained steadily after early hesitations to close 25 points up at 3,039.7, the day's high. The gains were due mainly to the increase in the US unemployment rate. Over the week, the Footsie has gained a net 27.5 points. Page 17

Cardoso takes pay cut: New Brazilian president Fernando Henrique Cardoso and his ministers are to take temporary pay cuts of 25 per cent to restore popularity after his veto on a rise in minimum wages. Page 3

Investor protection mew: Britain's Treasury is reviewing investor protection in Jersey, Guernsey, the Isle of Man and Bermuda. The check on the four UK dependent territories is the first since certain offshore unit trusts for UK investors were allowed to set up there in 1988. Page 4

Kidney claims probe: India's Karnataka state is sending police to Saudi Arabia to investigate a kidney transplant business. Bangalore's police chief believes up to 1,000 Indians, many poor and illiterate, had kidneys transplanted in the city. Many of the recipients came from the Middle East.

ABN Amro: Dutch bank, confirmed it is remaining most of its investment banking operations ABN Amro Hoare Govett to capitalise on the name of the UK stockbroker it acquired three years ago. Page 6

World Bank investigation: The World Bank has ordered an independent probe into a complaint that Nepal's \$750m Arun III hydroelectric project would harm local people and the environment.

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Rate rise threat fades as unemployment increase points to slowdown in economy

US markets surge on jobless data

By Michael Prowse in
Washington and Our Markets
Staff in London

US bond, equity and currency markets soared yesterday after US unemployment figures suggested that the American economy is beginning to slow in response to interest rate increases.

Some economists warned against reading too much into one month's figures, but many investors judged that a sharp

jump in the jobless rate last month made further interest rate rises less likely. The US Federal Reserve raised short-term rates by half a point to 6 per cent this week, the seventh in a year-long succession of increases that prompted a sharp sell-off in world bond markets.

The hope that inflationary pressures might now be easing took US 30-year Treasury bonds up 1½ points at 4pm yesterday, reducing the yield to 7.60 per cent. Banks and interest-sensitive

cyclical stocks led the Dow Jones Industrial Average up 70.65 points at 3,941.42 by 4pm. European markets rose in Wall Street's wake.

"It could be a turning point, both in terms of perception of the US economic fundamentals and in terms of recovery from last year's poor financial market performance," said Mr Keith Shatto, chief economist at broker James Capel in London.

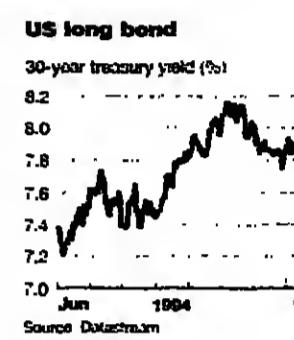
Yesterday's figures showed a jump in the jobless rate to 5.7 per

cent last month from 5.4 per cent in December, prompting speculation that economic growth is beginning to moderate after a buoyant 1994 fourth quarter.

The data took analysts by surprise, but many economists pointed out that one month's figures were not conclusive evidence of a slowdown. A report yesterday on factory orders showed a 1.7 per cent increase in December and a gain of more than 10 per cent during last year as whole, more than analysts had

expected. The Labour Department said non-farm payroll employment rose by 134,000 last month, much less than analysts predicted. Job gains averaged 250,000 a month during 1994. The slowdown mainly reflected a reduced pace of hiring in service industries. Manufacturing and

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don stocks, Page 17



German tax raid on finance firm

By Christopher Parkes
in Frankfurt

German prosecutors said yesterday that tax officials had raided all 11 domestic branches of Hypo Capital Management, a firm of financial advisers owned by the big Bavarian bank Bayerische Hypotheken und Wechsel Bank.

Officials said the tax authorities seized masses of documents relating to accounts at Bankhaus Maffei, the up-market private banking subsidiary of Bayerische Hypo, the fifth biggest bank in Germany.

Mr Dieter Emrich, the chief tax prosecutor in Munich, said extensive material had been confiscated during the searches. There were no arrests.

Those raids were arranged to address suspicions, denied by Dresdner, that the bank had actively helped customers to avoid paying withholding tax on interest earned on accounts based in Luxembourg.

HCM, which advises about 3,500 customers with investments of about DM2.45bn (US1.47bn), was established in 1988 and, in common with many banks and investment advisers, has a subsidiary in the Grand Duchy.

Mr Kolsch and other officials stressed repeatedly that HCM was not a bank and neither managed any client's account nor facilitated any transfers of funds.

evade taxes with transfers to Luxembourg. They were focusing on suspicions that HCM had run customer accounts of untaxed money in Luxembourg under fictitious names.

Mr Martin Kolsch, a senior executive, said a "lawnmower-style" investigation, undertaken without any firm suspicions against any individual was in effect an investigation of all HCM's clients.

"Our view is that these events are difficult to justify and to understand," he added.

A similar action just over a year ago in which tax officials seized documents from Dresden Bank's headquarters and Dusseldorf regional office has so far failed to yield any charges.

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Quaker sells pet food unit to Dalgety for £442m

By Roderick Oram, Consumer
Industries Editor in London

Dalgety of the UK set its sights yesterday on the fast-growing European pet food market with its £442m (\$885m) purchase of Quaker Oats' European pet food business.

To help fund the deal, Dalgety launched a one-for-four rights issue at 335p a share to raise £150m and put up for sale its Golden Wonder crisps and snacks business and Homepride sausages, flour and baking mixes.

"This is an outstanding opportunity to strengthen our business and the company as a whole," Mr Richard Clothier, chief executive of Dalgety.

The company's biggest acquisition in 15 years, the Quaker division largely completes Dalgety's transformation from a disparate group of agricultural and resource business to one focused on animal feeds and pig breeding, food ingredients and pet foods.

The long-expected deal will lift Dalgety's share of the \$4.5bn market from a distant second with 8 per cent to 21 per cent. However, its brands, including Spillers, Felix and Fido, will still

French President François Mitterrand (centre) ruled out as "too clever" the idea, mooted by France's conservative government, of facilitating European monetary union next year by reducing the number of countries required from eight to seven. Commission president Jacques Santer (left) joined Mr Mitterrand in insisting that the Maastricht treaty would have to be strictly applied, while Edouard Balladur, the Gaullist prime minister and favourite to succeed Mr Mitterrand, in May, stayed silent. Page 2

People are pretty nervous; there are plenty of possibilities for things to go wrong," said Ms Anne Stevenson-Yang, Beijing representative of the US-China

Business Council. However, she believed a serious trade rift could still be averted.

Mr William Warwick, chairman of the American Chamber of Commerce in Beijing, said the group opposed sanctions, and that a trade war would not be good for US business in China.

Most US export industries now support back the Clinton administration's determination to take tough action.

Washington is keen to re-establish its reputation for dealing responsibly with Beijing, damaged when President Bill Clinton de-linked human rights issues from China's Most Favoured Nation status last year.

However, the US also plans to give Beijing a revised text reflecting progress in earlier talks. Ms Charlotte Barshefsky, US trade representative, this week said preliminary agreements had been reached on copyrights, and that Beijing accepted the need not only to seize confiscated goods, but to destroy them and closely monitor ports.

But China has not met US demands for the closure of 29 factories in the southern China producing pirate compact and laser discs. Agreement on this issue would be possible if the factories were to buy licenses from US entertainment companies.

Continued on Page 20

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Chechnya leaves Russian army open to attack

In the wake of the botched campaign to subdue the Chechens, a radical shake-up of the army seems inevitable, writes John Thornhill

If Russia's rumbustious newspaper commentators are to be believed, then the nation's army is about to experience a radical shake-up after its poor performance in Chechnya. This week the liberal *Izvestiya* newspaper speculated that President Boris Yeltsin would soon lash out at the "war party" behind the Chechen operation and would ditch four of its leading members, including Gen Pavel Grachev, the defence minister, and Mr Sergei Stepanishin, the head of the counter-intelligence service.

Their faults, the paper claimed, were to tell Mr Yeltsin that Chechnya could be quickly crushed and then utterly to fail to prepare the army for the complexities of the military operation. Several of Russia's senior generals, including the highly respected Gen Boris Gromov, who was the last army officer out of Afghanistan, have already fiercely criticised the conduct of the war.

The officers were unprepared, the use of conscript troops was senseless, and the whole campaign was poorly conceived and executed, they said.

The army, which had earlier been glorified in the media for corruption, has now been accused of incompetence. The hoisting of the Russian flag over the presidential palace in the Chechen capital of Grozny has been portrayed as a sick parody of the raising of the Soviet flag over the Berlin Reichstag 50 years ago in the Red Army's finest hour.

The ineffectiveness of the army is provoking a broader debate about its role in post-Soviet Russia and in the post-cold war world. Liberal politicians have called for a civilian to be appointed defence minister to inject fresh thinking at the top of the military. Mr Yeltsin's kitchen cabinet has also discussed splitting the gen-



Demoralised: A Russian special forces soldier in an armoured personnel carrier in front of the badly damaged presidential palace in Grozny

federal armed forces has become the most acute problem of Russia's defence capability."

As yet, it is impossible to tell how the army will evolve after the conflict. It would seem likely that Gen Grachev will be made the political scapegoat for the army's mistakes. Yesterday, the *Svodnya* newspaper reported that Mr Yeltsin's apparatus was investigating allegations of shady financial dealings against Gen Grachev and suggested the defence minister's recent hospitalisation was a "diplomatic illness".

But Mr Yeltsin may yet reckon it would be hard to replace his defence

minister with a more loyal supporter. Part of Gen Grachev's problem has been that he has been thought of as too political a place-man by other army officers.

"We have seen so many erratic swings in Russian politics in the past three years and if it seems profitable for Mr Yeltsin, he will swing in another direction, again dropping his former fellow travellers. He can keep in power by sacrificing his pawns on the chessboard," says one military expert in Moscow.

But there are signs that the "war party" is tiring of the criticism and is prepared to defend its ground in

the public debate. Gen Grachev has hit out at Russian human rights activists who have condemned the use of excessive force. Three deputy defence ministers, including Gen Gromov, who have sharply criticised the Chechen operation were suspended last month.

And this week *Rossiskaya Gavet*, the government newspaper, published an open letter which purported to come from Russian troops in Chechnya complaining about the criticism of the army's operations in Chechnya and the discrediting of its leadership. "We are ready to withstand and overcome anything if they

Moscow decree 'will hit oil trade'

By Chrissie Freeland
in Moscow

The Russian government approved a decree this week which neutralises an earlier decision to liberalise oil exports, western economists said.

The decree, part of a wave of restrictive trade legislation which has been signed or drafted over the past few weeks, could complicate Russia's negotiations with the International Monetary Fund and further discourage western investors. Mounting inflation, confirmed by official statistics released yesterday, and the continuing slide of the rouble are posing additional threats to the government's pledge to stabilise the economy this year.

The oil export decree, signed on Monday by Mr Victor Chernomyrdin, prime minister, confirms fears of western oil companies and economists that, under the guise of new legislation, old restrictions on oil exports are being perpetuated.

Under pressure from the IMF, which warned Russia late last year that it would not receive a \$6.25bn (24bn) standby loan unless the oil trade was liberalised, on December 31 the Russian government approved a resolution formally liberalising oil exports. But the manner in which the resolution is to be implemented appears to defeat its stated purpose.

The decree signed this week sets out the powers of a newly created commission which grants access to the pipelines that channel Russian oil to the west. Because pipeline capacity is limited, access in effect determines oil exports.

By instructing the commission to take into consideration the supply of the domestic market and state contracts for oil exports, the new decree permits the old, restrictive system.

"There is no evidence that liberalisation is occurring in practice," a western economist in Moscow said.

• Russian oil producers plan to exchange information with Opec to support world prices. The head of a powerful new organisation of Russian oilmen said yesterday. Mr Oleg Davydov, a deputy prime minister who heads the newly-formed Union of Oil Exporters, said yesterday Russian producers intend to co-ordinate information with Opec in order to maintain "a high enough level of prices on the market".

Plan for early Emu ruled out by Mitterrand

By David Buchan in Paris

President François Mitterrand yesterday ruled out as "too clever" the idea, mooted by France's conservative government, of facilitating European monetary union (Emu) next year by reducing the minimum number of countries needed to participate in it from eight to seven.

The Maastricht treaty requires that, at least in 1996, the EU must have a majority of its members ready and willing for monetary union if the single currency plan is to go ahead. Mitterrand, that majority has been interpreted simply as eight of the Union's 15 members. But a very senior member of the Balladur government this week suggested Britain and Denmark might be plausibly subtracted from the total - because of their treaty right to opt out of Emu - and that this would reduce the required majority to seven.

Asked about this idea, at a joint press conference given by the French presidency of the EU and the European Commission, Mr Mitterrand said: "Don't think us so smart." By such "twisted" logic, "one could reduce the number of participants to close to zero". he quipped.

Mr Jacques Santer, the Commission president, joined Mr Mitterrand in insisting that the Maastricht treaty would have to be strictly applied, while Mr Balladur, the Gaullist prime minister and favourite to succeed Mr Mitterrand as president in May, stayed pointedly silent.

Any lowering of the required

Italian left finds a leader to unite behind

By Robert Graham in Rome

Professor Romano Prodi, the former head of IRI Italy's state industrial holding, yesterday agreed to put himself at the head of a broad coalition of centre-left parties to fight the next election.

The move by the 54-year-old economics professor from Bologna is expected to have a profound impact on Italian politics. Mr Prodi immediately became the chief opponent of Mr Silvio Berlusconi, whose right-wing Freedom Alliance was forced from office in December.

This in turn will make it even more difficult for centre parties to survive indepen-

dently, obliging them to accept

alliances with one of two camps - the left or the right.

Mr Prodi has always been regarded as a technocrat even if he has been close to the left wing of the now defunct Christian Democrat party. He served briefly as an industry minister. He was considered as a possible prime minister to succeed Mr Giuliano Amato, the Socialist prime minister, in 1993. But at the time the former communist Party of the Democratic Left (PDS) preferred Mr Carlo Azeglio Ciampi, the governor of the Bank of Italy.

The PDS leadership has since changed. Nevertheless in the past few days, as Mr Prodi's candidature has been

touted, Mr Massimo D'Alema, the PDS leader, has remained cool. Indeed, Mr Prodi has been to some extent foisted on the PDS by the left wing of the small centrist Popular party (PP), which replaced the long-ruling Christian Democrat party last year.

The PPI has been wracked by divisions in the wake of the resignation of the former prime minister, Mr Rocco Buttiglione, the PPI leader, has been trying to forge a new alliance with Mr Berlusconi and his Forza Italia movement.

This alliance, if achieved, would lead to a direct split, and leave the left wing of the party with little option but to team up with the PDS.

By proposing Mr Prodi to head a broad alliance of the PDS, Greens and former Socialists and the bulk of the PPI, the latter's left wing has decided to act first before Mr Berlusconi joins the Berlusconi camp. It makes a split within the PPI inevitable but allows the left wing, which includes such figures as former foreign minister Beniamino Andreatta, to draw maximum benefit.

It is not clear yet what will be the reaction of the populist Northern League of Mr Umberto Bossi, nor of the rank and file of the PDS. The PDS is the best organised party in parliament and commands more than 20 per cent of the national

vota. The failure to select one of its own as leader of a broad centre-left coalition underlines its continuing poor electoral appeal beyond the party faithful.

The Berlusconi camp is likely to welcome the Prodi move, which should ensure that the Catholic church swings behind the right-wing coalition. It could also strengthen his call for a general election to be held in June.

• Italian inflation fell to 3.8 per cent a year last month compared with 4.1 per cent in December. The drop came despite a range of price rises in consumer goods and utilities at the beginning of the year.

Danish director jailed in Gibraltar property fraud

By Hilary Barnes
in Copenhagen and
Jimmy Burns in London

A company director linked to a multi-million property development in Gibraltar has been sentenced to three years imprisonment after being found guilty of fraud by a Danish court.

The company director, who the court said should not be named, was a former senior employee of Baitica, the Danish insurance group, one of the main backers of the European office and hotel development.

He was found guilty on three charges involving about Dkr25m (£2.6m). The biggest fraudulent transaction involved him obtaining Dkr1m from a subcontracting company, JPC, after telling the company that this was the price of preventing a building contract from going to a French company.

The court also found that he had fraudulently obtained payment of Dkr1.8m from another subcontractor, L Borggreen. He was also found guilty of obtaining Dkr1m - later repaid - by wrongfully issuing an invoice to a third contractor, EBL Construc-

tion.

The trial lasted 11 months, sparking off an international police investigation and embroiling Gibraltar's government in corruption allegations over the property development.

During the trial, the director testified that a payment of £250,000 was made to a Gibraltar minister in connection with Europet. A former JPC employee testified that a further payment of £400,000 was made to the minister.

Last night a spokesman for Gibraltar's government declined to comment on the outcome of the trial. But Gibraltar's chief minister, Mr Joe Bossano, has denied any

impropriety by members of his government. "There are allegations of fraud by Danes against Dates involving Danish money. There is no Gibraltar money involved," he said in a statement during the trial.

British fraud squad detectives who have been investigating whether there are links between the accounts and a Liechtenstein trust, the GDF Foundation, which is alleged to have held money on behalf of Gibraltar's government.

Police are investigating whether there are links between the accounts and a Liechtenstein trust, the GDF Foundation, which is alleged to have held money on behalf of Gibraltar's government.

The director, who lives in the UK, is appealing against his sentence.

Pawlak in bid to end Poland's crisis

By Christopher Bobinski in Warsaw

Poland's coalition leaders met yesterday to seek ways of defusing the crisis caused by President Lech Walesa's threat to dissolve parliament.

Mr Waldemar Pawlak, the prime minister, who returned yesterday from a three day visit to the US, said he would soon be presenting the names of nominees for the vacant posts of defence and foreign minister to the president for approval.

A failure to agree on these has been one of the causes of the turmoil. At the same time presidential aides have suggested that Mr Walesa's dissolution threat had been suspended while the president wanted to see what concessions the government was willing to make on the appointment of the president's powers.

At the same time Mr Pawlak denied there was a rift within the coalition which could lead to the fall of the cabinet.

Meanwhile yesterday parliament voted a change in the interim constitution extending parliament's term until new elections. This means that even if dissolved, parliament would stay in office until a new election. The constitutional change has to be passed by the upper house, where the government also has an overwhelming majority, and be approved by the president.

At a meeting of the CDU in Saarland, which is governed by the Social Democrats, said Mr Kohl's attempt to change ARD "brings into doubt the federal system".

Mr Kohl said the country's post-war decentralised system of broadcasting was "now being seriously challenged by the chancellor in bid to lobby support," said Ms Mechthild Reith of the SPD yesterday.

Germany's state-run broadcasting structure was set up after the second world war by the French, British and American occupying forces which first established independent radio stations, and later regional television channels, both under the umbrella of ARD.

But opposition parties, and even members of the governing Christian Democrats (CDU), believe these plans would undermine the country's post-war federal system.

Mr Peter Müller, parlia-

French propose big changes to higher education

By Andrew Jack in Paris

The French government yesterday published a controversial report which calls for sweeping changes to the funding, management and content of further education across the country.

The recommendations, drawn up by a selection of senior university administrators, call for greater decentralisation of funding and control, the introduction of selection and increased vocational training.

A failure to agree on these has been one of the causes of the turmoil. At the same time presidential aides have suggested that Mr Walesa's dissolution threat had been suspended while the president wanted to see what concessions the government was willing to make on the appointment of the president's powers.

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SPD threatens Kohl in TV row

By Judy Dempsey in Berlin
and agencies

Germany's opposition Social Democratic Party said yesterday it would halt the expansion of private television if Chancellor Helmut Kohl tampers with the structure of ARD, the country's main television network.

Mr Wolfgang Clement, media policy co-ordinator for SPD-ruled states, said the two existing public networks ARD and ZDF must remain fully operational.

"As long as there is no guarantee for the maintenance and development of ARD and ZDF, we will not be able to support any further agreements on private television and its development," he said.

An acrimonious debate about the future of Europe's largest television market erupted after conservative politicians called

for radical cuts at ARD, Germany's first channel.

Mr Kohl stoked the debate this week by backing the attack on ARD and saying its biggest affiliate, the left-leaning West German Radio in Cologne, had a "dominating position" in the public broadcasting system.

ARD links 11 regional public broadcasters and shares programming responsibilities among them. Its decentralised structure is supposed to reflect Germany's federal system.

"As long as there is no guarantee for the maintenance and development of ARD and ZDF, we will not be able to support any further agreements on private television and its development," he said.

The chancellor's ability to force through change would demand a constitutional

amendment, and he would require the support of the individual states for any planned merger of regional networks.

Only two of the states are majority governed by the CDU, while the SPD, mostly in coalition, governs the other 14.

"Kohl cannot win. But he will try to use populist arguments to lobby support," said Ms Mechthild Reith of the SPD yesterday.

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NEWS: INTERNATIONAL

European ire at pressure over Mexico

By Stephen Fidler in London and George Graham in Washington

Leading finance officials in Europe are privately expressing anger about the way that they have been pressed by the US into supporting a \$50bn (£32bn) international financial rescue package for Mexico.

The governments of Britain, Germany, Switzerland, the Netherlands, Belgium and Norway abstained from the vote of the board of the International Monetary Fund to provide a \$17.8bn contribution to the Mexican rescue.

Officials in Washington said the six who had abstained represented more than 25 per cent of the IMF voting capital.

Executive directors from Germany, the UK, the Netherlands, Belgium, Switzerland and Norway – representing 34 countries in Europe and central Asia – had objected both to the package and to its presentation as a fait accompli with minimal consultation.

British and German officials are not convinced that the risk of Mexico's difficulties spilling over into some kind of systemic crisis was as great as the IMF and the US have claimed.

Rather, they believe that the turmoil in the Mexican financial markets was part of an overdue correction of excessively optimistic assessments of the risks involved in investing in emerging markets.

Abstaining governments were unhappy about elements of the proposal, including the fact that an unprecedented sum – \$7.8bn – will be made available immediately.

But their main objection is that they consider the US is using other governments' money to pursue its own policy objectives in Mexico, and to bail out US financial institutions which stood to lose money in the financial crisis.

Some member governments of the Bank for International Settlements are also emphasising privately that the \$10bn contribution, announced on Tuesday by President Bill Clinton, from BIS member central banks remains a proposal and is not yet available.

Terms and conditions under which the loans would be drawn are still to be worked out, they emphasise. Officials say that technically the \$3bn earlier promised by BIS central banks is not now available.

Administration officials were obliged to confirm headline numbers which put spending

at \$1,600bn (£1,02bn) and a projected deficit of \$196.7bn for the fiscal year starting in October – similar to the current year's estimates. Mr Clinton will also propose deficit savings of \$144bn over the next five years.

The numbers were instantly criticised as inadequate by prominent Republicans committed to balancing the budget by 2002 through a constitutional amendment and through deep, but still unspecified spending cuts. Mr Gingrich, however, refused to endorse the popular view that the president's budget was "dead on arrival" in Congress because of the Republican majority.

On the minimum wage, which was last increased in 1990 and now marks the level of pay for about 10 per cent of the US workforce, Mr Clinton

argued that, in spite of impressive job creation under his presidency (6m to two years), too many Americans remained in the "anxious class... working harder for the same, or lower, wages".

He also specifically linked a higher minimum wage to welfare reform, high on the legislative agenda of both Congress and the administration this year. "If we are serious about welfare reform, then we have a clear obligation to make work attractive and to reward people who work hard."

Even so, the politics of the issue were underlined both by the fact that Mr Clinton was flanked only by Democrats as he made the announcement in the Rose Garden of the White House – and by Mr Gingrich's response. He promised the president a fair hearing but

said he was "very sceptical" and immediately raised two objections: "What does it cost us in terms of black teenage unemployment and [after the devaluation of the peso] what's the relationship to jobs in Mexico?"

Some prominent Republicans, including Congressman Dick Armey from Texas, the majority leader in the House, are on record as wanting to abolish the minimum wage. Their opposition virtually guarantees rejection of the president's proposed increase, but Mr Gingrich's tone suggested he would not go so far as to support abolition yet.

Mr Clinton's recommendation, after much internal debate, is at least in part meant to hold support among working-class Democrats unaffected by his leadership.

Clinton's initiative on pay displeases senior Republicans

Higher minimum wage sought

By Jurek Martin, US Editor, in Washington

President Bill Clinton yesterday proposed increasing the US federal minimum wage by 50 cents (57 pence) an hour in two equal increments to \$5.15 over the next two years, but was immediately, albeit politely, rebuffed by Republican Congressman Newt Gingrich, Speaker of the House of Representatives.

Both lines between the administration and the Republican-controlled Congress were also being drawn more sharply yesterday, following a leaked report in the New York Times with many details on Mr Clinton's 1995-96 budget, due to be unveiled on Monday.

Administration officials were obliged to confirm headline numbers which put spending

at \$1,600bn (£1,02bn) and a projected deficit of \$196.7bn for the fiscal year starting in October – similar to the current year's estimates. Mr Clinton will also propose deficit savings of \$144bn over the next five years.

The numbers were instantly criticised as inadequate by prominent Republicans committed to balancing the budget by 2002 through a constitutional amendment and through deep, but still unspecified spending cuts. Mr Gingrich, however, refused to endorse the popular view that the president's budget was "dead on arrival" in Congress because of the Republican majority.

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INTERNATIONAL NEWS DIGEST

Norway offers 56 oil blocks

Norway, western Europe's biggest oil producer, yesterday offered oil companies 56 exploration blocks and said it would seek conditions and open new acreage as part of the country's second largest petroleum concession round since its oil boom 20 years ago.

Mr Jens Stoltenberg, Norway's oil minister, said 16 of the blocks, situated near existing and planned infrastructure, would ensure the efficient use of spare capacity at facilities as production from mature North Sea fields winds down. Forty more blocks are in the widely unexplored Norwegian Sea, including acreage in two virgin areas where water depths are up to 1,500m and where the government believes some of the world's most promising oil exploration potential lies.

Norway's oil production has more than tripled in the past decade to reach 2.7m barrels of oil a day, and this year the country is expected to overtake Iran as the world's second largest net exporter of crude oil. Oil accounts for 16 per cent of Norway's gross national product.

The government is desperate to stem a sharp decline in production which will take place before the turn of the century unless new oil discoveries are made, but Mr Stoltenberg acknowledged yesterday that new discoveries were likely to be smaller and less profitable. *Karen Fossli, Oslo*

Scharping cool over budget



Germany's opposition Social Democratic Party will not support the government's 1995 budget unless future financing for the country's coal industry is first secured. Mr Rudolf Scharping, SPD leader (left), yesterday told *Westdeutsche Allgemeine Zeitung* newspaper he wanted new proposals aimed at finding ways to replace the Kohlepfennig, the 8.5 per cent levy imposed on electricity consumers to support the industry, to be agreed by March. The SPD is in a strong position to block the budget since it controls the Bundesrat, the upper house, whose consent is required for government legislation. The Kohlepfennig, which amounts to a DM7.5bn (£3.18bn) annual subsidy to protect German hard coal against coal imports, was deemed unconstitutional by the federal constitutional court last December. The court ruled that the levy could not be extended beyond 1995. SPD officials yesterday confirmed that the party wants to replace the Kohlepfennig by an across-the-board energy tax which would be aimed at cutting energy consumption, supporting the 100,000-employee mining industry, and financing research for renewable energy. *Judy Dempsey, Berlin*

Peru, Ecuador study truce

The governments of Ecuador and Peru were yesterday studying a preliminary ceasefire accord that would end their bloody eight-day clash on their Amazon jungle border, a diplomat said. At least 11 Peruvians and five Ecuadorians have been killed in fighting that broke out last week over a disputed frontier zone, and up to 70 may have died, according to each side's claims.

"It was possible to reach an agreement which in principle... met with the approval of the representatives of the countries here in Rio de Janeiro," said Brazil's deputy foreign minister Sébastião do Rego Barros. The proposed accord, after three days of negotiations, has been sent to Lima and Quito for approval as well as to the four guarantor nations Argentina, Brazil, Chile and the US. *Reuter, Rio de Janeiro*

Japan sales tax rise ruled out

Mr Tomiichi Murayama, the Japanese prime minister, yesterday ruled out an early rise in sales tax as a method of raising cash to pay for the Kobe earthquake damage. His announcement, on the eve of a meeting of Group of Seven finance ministers due to start yesterday evening in Toronto, will provide some relief for Japan's trade partners, anxious to avoid any steps likely to curb consumer demand for imports. However, the pressure for some form of tax increase remains, given that the finance ministry is eager to reduce the government's reliance on borrowing. The overall cost of the quake is provisionally estimated at Y8.600bn-Y13.000bn (£350bn-£930bn). *William Dawkins, Tokyo*

Canberra logs blockade ends

A six-day blockade by several thousand loggers of Australia's Parliament House came to an end yesterday after the federal cabinet promised to hasten a review of 500 forestry areas which the government has offered to set aside for environmental assessment before logging can take place.

But the federal cabinet's latest compromise – an expedited assessment of the areas' conservation value, to be completed in eight weeks – brought fresh protests from environmentalists. "The outcome of the cabinet's deliberations is the further whittling of our forests on the altar of woodchips," commented one spokesman for the Australian Greens. Loggers, meanwhile, said that if the review led to a single job loss in the industry, they would reimpose the blockade.

Last year the government announced it would renew 11 woodchip export licences. The green lobby claimed the licence renewals would exacerbate destruction of old-growth forests. When Mr Paul Keating, prime minister, suggested that 500-plus areas be quarantined from woodchipping until a review of their conservation value had been conducted, the loggers protested, fearing that review could lead to timber industry jobs being lost, and even some timber towns shutting down. *Nikki Tait, Sydney*

Nepal dam backing delayed

World Bank approval of the controversial \$1bn (£633m) Arun dam project in Nepal has been delayed till around June by the appointment of a special inspection panel to look into environmental aspects. The panel was appointed by the bank's board after complaints that staff had not paid enough attention to the environment in their planning. Bank officials believe the project, in which German and Japanese companies have an interest, will go ahead. But they are concerned that the controversy will make it harder for the bank to support similar projects elsewhere despite the environmental safeguards built into its procedures.

The project will generate foreign exchange for Nepal through the sale of electric power to India and spur industrial development at home. Critics are concerned at the impact on a pristine forest in the Himalaya mountains and the large financial cost for such a poor country. *Peter Montagnon, London*

Threat to dykes recedes

The risk of dykes collapsing in the Netherlands under the pressure of flooded rivers decreased yesterday, but the government said the threat had not been entirely averted. This meant that it was too early for the nearly 250,000 people displaced from threatened areas to return home. The Dutch cabinet said the emergency must first be lifted before an assessment of damages can be made. However, it has indicated that businesses will probably be treated similarly to the corporate victims of floods in 1993, when companies were compensated for two-thirds of the damage suffered. An institute representing small and medium-sized businesses in the Netherlands estimated that 5,600 companies have suffered water damage and 9,800 had to vacate their premises. The total cost of Dutch water damage and evacuation expenses is around F1.8bn (£1bn), bank economists say. *Ronald van de Krol, Amsterdam*

Australia to review trading relations with US

By Nikki Tait in Sydney

Australia is to review its trade relationship with the US, its second largest trading partner, federal trade minister, announced yesterday.

Australia has a large, persistent and rising trade deficit with the US – in contrast to Japan, its largest trading partner, with which Australia runs a surplus. The deficit with the US stood at just over A\$6bn (£3bn) in 1990 but topped A\$8bn in 1993.

"It is clear that the importance of the US as an export destination for Australia has declined over the past decade,"

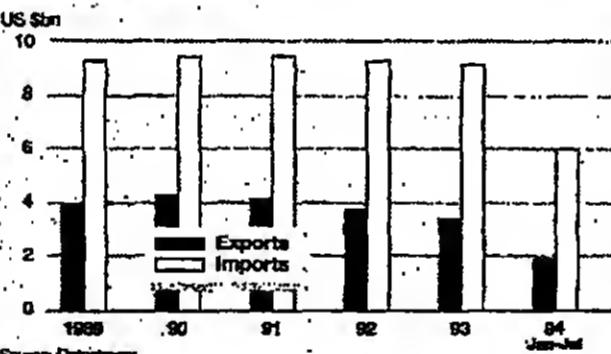
We need to ask what is happening to traditional markets," Mr McMullan said.

News of the trade review comes in the wake of minimal growth in Australian exports in the current 1994-95 financial year and a worsening balance of payments situation.

However, the trade review is said to be unrelated to the current ruckus over the recent US decision to extend dairy export subsidies to certain Asian markets where Australian producers have been trying to make inroads.

Announcing the review in a speech to the Committee for Economic Development of Australia (Ceda), Mr McMullan

Australian trade with US



said that, while Australia's traditional trade focus had inevitably shifted to Asia, it was important not to neglect traditional

markets in the Asia-Pacific Economic Co-operation (Apec) and other parts of the world.

Apec is a loose grouping of countries in the region; both the US and Australia are members. Apec leaders recently pledged to create a free trade zone early in the next century – a development strongly urged by both Australia and the US.

The trade minister added that the review would look at obstacles to exports – be they problems of barriers, Australia's competitiveness or our marketing approach – and the role which investment could play in shaping trading

relationships.

The US remains one of the largest sources of foreign investment in Australia. This week, Australia, the main trade promotion agency, announced that it was opening a third US office, in Chicago. Part of its job will be to sell Australia as a "stepping stone" to the Asian region.

The announcement on Tuesday that Axa, the French insurer, was willing to inject A\$1bn in return for a controlling interest in National Mutual, Australia's second largest but recently troubled life office, has also underlined the continuing role of non-Asian ties.

Premier Yitzhak Rabin returns from Cairo summit to find poor poll ratings

Fresh challenges to government in Israel

By Julian Ozanne in Jerusalem

Israeli prime minister Yitzhak Rabin returned from the Arab-Israeli Cairo summit yesterday to face new challenges to the political stability of his fragile coalition government and his ability to move forward on Israeli-Palestinian peace.

The Shear ultra-orthodox religious party, which has spent more than a year negotiating whether to re-enter the Israeli government, said it would not rejoin the Labour-led coalition.

This means Mr Rabin has no chance in the short term of strengthening his minority government and will have to

continue to rely on five Arab votes in parliament for his survival.

Rabbi Oryad Yosef, spiritual leader of Shas, said his party, which has six members of parliament, was going formally into opposition because of deteriorating security and out of concern for Jewish settlers in the still occupied West Bank.

His decision came after Mr Rabin had given Shas an ultimatum that, unless it rejoined the coalition by tomorrow, he would give its two ministerial portfolios (interior and religious affairs) to other coalition partners.

These publications have promoted a peculiar fear about the financial power and political influence that might be exercised by Jews. The stereotyping has not all been negative, with Mr Dan Fajtlowicz, who owns the McDonald's hamburger chain in Japan, calling himself the "Jew of Giza" and writing books on the business expertise of the Jews. However, ultra-nationalists have pushed the anti-Semitic view.

The books have become bestsellers, as Jews living in Japan point out, there have not been any physical attacks or other serious forms of harassment. Mr James Lebeau,

the Jewish community's rabbi, says much of the apparent anti-Semitism is limited to publications tapping the public's unease at a time of economic uncertainty.

Japan's obscure form of anti-Semitism comes partly from sheer ignorance of history: students are taught very little about Japanese aggression during the second world war, let alone on what went on in Europe.

That an average Japanese citizen would never meet a member of the Jewish faith in his life provides fertile ground for negative stereotyping," says Rabbi Abraham Cooper, associate dean of the Simon Wiesenthal Center, the Jewish rights group in Los Angeles.

He equally bizarre fears of world domination by another ethnic group, the overseas Chinese, considered to have an international network of money and influence.

Members of the Jewish community in Tokyo note that the rise in anti-Semitic literature is a recent phenomenon. Indeed, *The Diary of Anne Frank*, a book about the travails of a Jewish girl in Nazi-occupied Amsterdam during the war, has been popular for 30 years.

It was published by Bungei Shunjū, a Japanese diplomat to Lithuania during the war, issued transit visas and so enabled 2,000 Jews to escape persecution.

American Jews, concerned by the pogroms in Russia, supported the Japanese in the Russo-Japanese war at the start of this century.

The closure of Marco Polo, which followed the withdrawal of advertising by corporate sponsors including Volkswagen, the German carmaker, and Cartier, the French luxury goods manufacturer, could reinforce belief to a conspiracy.

"There will be people in Japan who will now claim that the Zionist conspiracy now includes Volkswagen and Cartier," admits Rabbi Cooper.

His centre wants to fill the knowledge gap and eliminate negative stereotypes by giving seminars. They have asked Bungei Shunjū to encourage the 16 editors of Marco Polo to participate.

However, re-education of the Japanese about Jews may not be enough. Some analysts claim the readiness among some Japanese to deny the existence of the Holocaust stems from the denial of the country's own guilt as an aggressor in the war.

NEWS: UK

Names fall out over sharing of compensation

By Ralph Atkins,
Insurance Correspondent

Hard-hit members of the Lloyd's insurance market whose court cases have not yet been heard intend to make a legal challenge which threatens to create fresh clashes with those far ahead in the litigation queue.

A coalition representing thousands of lossmaking Names is preparing to challenge a decision last month by

LLOYD'S
LLOYD'S OF LONDON

the High Court in London that damages for losses incurred in the late 1980s and early 1990s should be paid on a "first past the post" basis in which cash would be paid to those who happened to win first. Names are individuals whose assets have traditionally supported the insurance market. The

coalition's plans highlight growing tensions among Names as Lloyd's attempts to forge an out-of-court settlement between lossmaking Names and professional agencies being sued by them. Details of the latest planned court challenge emerged as the Goods Walker Action Group, representing Names on some of the insurance market's worse-performing syndicates, prepares for a High Court hearing on Monday on an interim com-

pensation payment. Goods Walker Names won damages worth hundreds of millions of pounds in a court case which ended last October and claimed the "first past the post" decision as a victory. The final level of damages should be decided later this year.

But the prospect of the Goods Walker group taking the lion's share of the limited funds available for compensation awards is worrying other Names. Mr Alan Porter, one of

the action group leaders involved to the new coalition, said: "We have to protect the interests of our own members and act accordingly."

Mr Charles Bracken, deputy chairman of the Sturge Names Action Group, another coalition member, said the lesson of Lloyd's legal cases so far had been that UK courts were concerned with interpreting law and following precedents.

"They are not concerned about fairness," he said. Funds available from "errors and omissions" insurers, who provided Lloyd's agents with cover against negligence awards, are estimated to be about £1bn compared with total damages claims by Names in excess of £23bn.

The new coalition is led by the Jason Green action group, which represents about 1,600 lossmaking Names. Their claim for compensation is not expected to be heard until next year at the earliest.

Roll up for the 'gerrymandering' soap opera

By John Authors

Westminster is best known as the heart of British government, but for the past three months the public has been treated to a public investigation presenting it as a centre of municipal sleaze and corruption. The questioning focused not on the House of Commons, but on the headquarters less than a mile away of Westminster City Council.

At the heart of the drama is Dame Shirley Porter, heiress to the Tesco supermarket fortune, and former council leader and mayor of Westminster. The council is the municipal authority which covers the seat of national government as well as many of London's wealthiest residential areas.

Dame Shirley's rightwing policies made her a favourite of former Conservative prime minister Baroness Thatcher, who called Westminster a Conservative "flagship" in local government. In 1990, the party directed national media attention to the city as Conservatives made strong gains on the council against a national trend in favour of the opposition Labour party.

But the 1990 election result has since been challenged. The first attacks centred on the sale of three of the city's cemeteries. Dame Shirley considered them a drain on the public purse, and they were sold to property developers for 5 pence each, a total of £0.15. They were later valued at nearly £10m. The district auditor, a financial watchdog appointed by a central government agency to oversee municipal

finances, said he was inclined to label the sale "unlawful".

Much worse was to follow. The auditor's next job was to investigate complaints by local residents that Dame Shirley had manipulated the city's housing policy in order to rig the result of the election.

The word used was "gerrymandering". Labour councillors claimed that after the 1986 city elections, when the Conservatives' majority had been squeezed, Dame Shirley and her colleagues had identified eight marginal "target wards" (districts) where the next election would be won or lost.

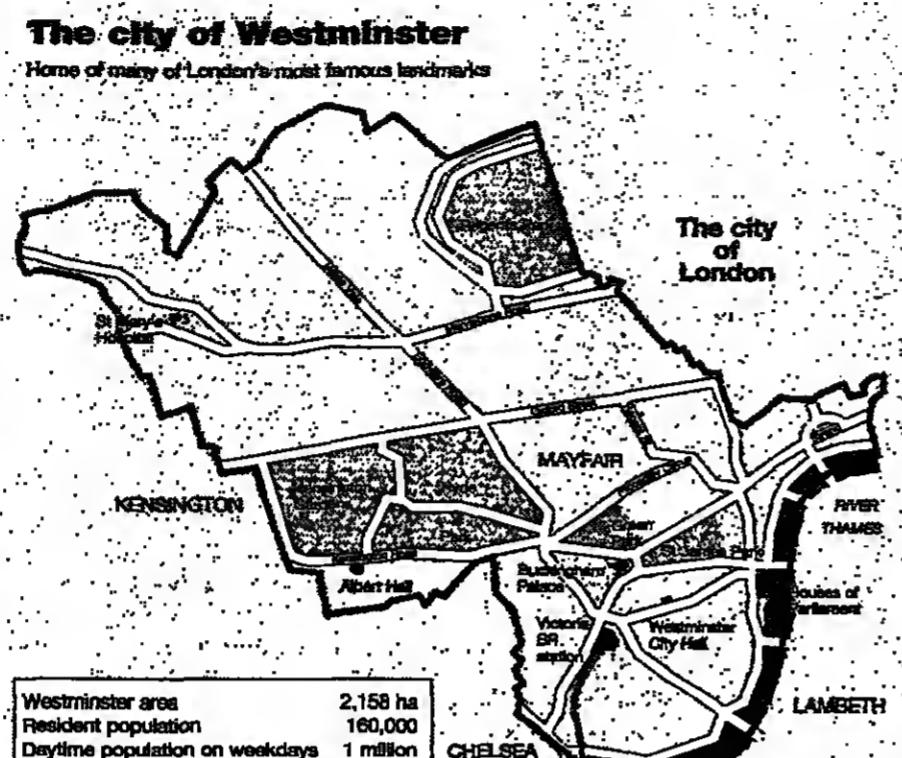
Certain council-owned apartment blocks were earmarked for sale to private individuals. Once the blocks became empty, they were boarded up and kept empty until a buyer was found.

The council said it needed to keep a diverse housing stock.

Housing in the city's more prestigious areas was among the most expensive in the UK, and officials were worried that no middle-income families would be able to afford to live in the area.

However, Labour claimed that blocks had been designated in "target wards", in line with the political logic that homeowners were more likely than council tenants to vote Conservative.

The district auditor, Mr John Magill, said in January last year: "Both the decision to increase the number of designated sales and the selection of the properties designated for sale were influenced by an irrelevant consideration, namely the electoral advantage of the majority party... My



provisional view is that the council was engaged in gerrymandering, which I am minded to find is a disgraceful and improper purpose."

Mr Magill recommended that Dame Shirley and nine other councillors and officials, should pay a compulsory surcharge - in effect, a fine - to compensate for money wasted of £21,250.

Dame Shirley and her colleagues complained that Mr Magill had acted beyond his powers in publicly announcing such damning findings in what was still a provisional report.

Dame Shirley said she had received legal advice that the auditor's provisional view was "neither correct in law or in fact". She added that a leading firm of accountants had advised her that Mr Magill's views about alleged losses

were "equally wrong and misconceived". Dr Michael Dutt, one of the councillors recommended for surcharge, committed suicide after the allegations were published.

The public hearings into the auditor's findings started in October last year and will end next week. But they have been overshadowed by the emergence of new allegations.

It emerged in October that tenants who had bought their flats from the council under designated sales and the national right-to-buy scheme had not been charged for their repairs. The total backlog since 1988 was about £12m, a cost presumably met in the end by Westminster taxpayers. Meanwhile householders, who remained tenants of the council paid for repairs and maintenance as usual. A leaked sepa-

rate district auditor's report suggests that this was a deliberate political decision.

Further, Labour now claims that Westminster's "Building Stable Communities" programme used the planning process to shun resources towards "target wards". The auditor has impounded documents at Westminster city hall to investigate these claims, which would, according to Labour, bring the total surcharge to more than £100m.

But Dame Shirley is a formidable opponent. If the district auditor decides to press on with the surcharge he can expect to be challenged at every possible point of the English legal system.

Westminster's second great political soap opera, which has lasted almost a decade already, has several more years to run.

The House of Lords yesterday became the focus of a new row over allegations of "sleaze" in British political life after a leading lawyer claimed members had been paid to put questions to ministers in the upper House of Parliament. As standards of conduct at Westminster come under growing scrutiny, Lord Lester, a Liberal Democrat human rights lawyer, claimed four peers may have been paid to ask questions and take other action in the Lords.

In a private memorandum submitted to a committee investigating standards of conduct in the Lords, Lord Lester said he had received the information from one of his commercial clients.

He refused to name the client, but the memorandum stated that the businessman had said "he has paid substantial sums and given indirect financial benefits to some four peers, as well as several members of the House of Commons, to ask questions and take other action on behalf of him and his company".

Lord Lester claimed yesterday his informant had not told him the identity of any of the Lords involved, and that he had not been able to check the information before sending it to the committee chaired by Lord Griffiths.

"I haven't accused anybody," he said. "All I have done is to communicate in confidence to Lord Griffiths' committee something that I was told by a client. I have no idea as to whether the allegations are true, nor as to those who might be involved."

Lord Lester's memorandum will almost certainly strengthen the argument of those calling for Lords' procedures to be tightened up alongside those in the Commons.

Some peers have expressed concern that parliamentary procedures are open to abuse in the upper House, where members receive small salaries for their work and are more open to outside pressures than MPs.

The House of Lords is unable to stand in the way of important government bills. But in last year's session, the power of the upper House was evident as peers amended several items of legislation, including the Criminal Justice, Police and Magistrates and Education Bills.

The Griffiths committee was set up at the end of last year, and it is understood that Tory and Labour peers on the body are divided over whether changes are needed.

Senior Treasury official is visiting Bermuda and three other Crown islands

By Sue Stuart
in the Isle of Man

The Treasury is reviewing investor protection in four of the UK's dependent territories for the first time since the Conservative government opened the door to certain offshore unit trusts for UK investors in 1988.

Bermuda, Jersey and Guernsey now the coast of France; and the Isle of Man between England and Ireland acquired designated-territory status in 1988, allowing them to market authorised collective investment schemes directly into the UK.

The four islands were found to provide investor protection equivalent to that provided in the UK. The islands are

self-governing dependencies of the British Crown with their own legislatures and regulatory authorities for financial services.

To gain designated-territory status they had to introduce legislation that matched the UK's Financial Services Act 1986 in aspects of investor protection on funds which they authorised.

Offshore authorised funds have to comply with detailed requirements on structure and investment policy. Fund managers have to comply with requirements on conduct of business and financial resources. Investors in offshore

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UK NEWS DIGEST

Bank threatens to freeze pay of many employees

National Westminster Bank told its UK branch banking staff yesterday that many of them would receive no basic pay rise this year, and many could expect increases below the present 2.5 per cent inflation rate. The disclosure, which aroused criticism from banking unions, comes three weeks before NatWest is expected to announce pre-tax profits for last year of £1.5bn.

The scale of profit of the biggest four UK banks is expected to cause political controversy when announced because 1994 is thought to have been their most profitable year for a decade. Lloyd's Bank is expected to disclose pre-tax profits of about £1.8bn next week.

In a letter to 55,000 employees, Mr Martin Gray, chief executive of National Westminster's branch banking business, warned that 1995 will be a "tough year" with intense competitive pressures on costs. He said parts of the business had "not met planned targets" last year. He added: "Costs are rising and income has fallen." Mr Rory Murphy, general secretary of the bank's staff association, said: "To offer staff who have contributed to the vast profit expected a cost-of-living and performance increase of nothing defies belief." Robert Taylor, Employment Editor

Thatcher's son is accused

Mr Mark Thatcher, son of the former prime minister Baroness Thatcher, is being accused of ransacking the office of a Texas aircraft fuel company and stealing from it. The allegations feature in a civil rights action filed to Houston last week by Mr Jay Laughlin, a former business associate of Mr Thatcher, against a Houston police officer who allegedly assisted in evicting Mr Laughlin from the offices of Ameristar, a Houston-based company. The police officer, named as J.H. Olszewski, was allegedly helped by Mr Michael Winton, a former British agent who is employed by Mark Thatcher as a bodyguard and personal assistant", the lawsuit states. An associate of Mr Thatcher said he was not guilty of theft and called the suit "unbelievable". William Lewis

Asylum loophole is closed

A court ruling which could have led to the release of hundreds of asylum seekers held at detention centres was overturned by the Court of Appeal in London. The court allowed an appeal by Mr Michael Howard, home secretary, against the High Court decision that illegal immigrants who applied for political asylum could not be held in custody under immigration law. The court so ruled despite being warned that illegal immigrants might apply for asylum simply in order to flee into Britain while their applications were being processed.

The High Court ruled last month that four men from India were being "illegally detained" through wrong use of immigration laws. But three appeal judges said yesterday that their detention was "justifiable". Lawyers for the four argued that it was wrong that people fleeing persecution should suffer detention in Britain, a country they had been led to believe was "a haven for human rights", PA News

Borrowing by consumers rises

Consumer borrowing surged in the Christmas shopping period, official figures show. The rise was larger than the City of London had expected, and led some economists to argue that recent pessimism about collapsing consumer confidence had been exaggerated. Official retail sales data for December, published last week, indicated that a last minute rush had pushed sales to record levels.

But with sales in the quarter as a whole still well below retailers' expectations, some economists suggested that the surge in consumer borrowing in December might simply reflect the increased popularity of credit cards and other forms of borrowing. The level of consumer credit excluding mortgages rose 11 per cent in the year to December compared with a 9.9 per cent growth in the year to November - and a 5.5 per cent annual growth rate in the previous December. Gillian Tett, Economics Staff

■ **Watching widens remit:** The Securities and Investments Board has formed a working group to examine the "international dimension" of its role as the City's chief regulatory watchdog. The initiative follows widespread concern about risks stemming from the growth in the use of derivatives. Mr Andrew Large, SIB chairman, said the use of derivatives was more than a passing fad and was "fundamentally changing the nature of our business".

■ **Rail inquiry demanded:** The opposition Labour party demanded an inquiry into the appointment of N.M. Rothschild and Smith New Court as merchant bankers and brokers for the sale of Railtrack, the state-owned rail infrastructure company. The party pointed to the appointment in recent years of a number of former Conservative ministers to the boards of Rothschild and Smith New Court.

■ **US wine poll on directors:** Company directors in Britain trail their US counterparts in leadership skills, says a survey of 706 directors in 500 US companies commissioned by KPMG, the accountancy firm. British directors also rated the heads of German and Japanese companies above their British counterparts. Mr Richard Branson, Virgin founder, was rated best business leader, with Lord Hanson, chairman of Hanson, second. Third was Sir John Harvey-Jones, former ICI chairman.

Bank of Ireland Base Rate

Bank of Ireland announces that with effect from close of business on 3rd February 1995 its Base Rate is increased from 6.25% to 6

COMPANY NEWS: UK

Kingfisher pays Mulcahy personal tax advice bill

By William Lewis

Sir Geoffrey Mulcahy, chief executive of Kingfisher, has personal tax advice for him and his wife Lady Valerie paid for by the company.

The payment has not been declared to the retail group's shareholders until now and has never been included in his remuneration as reported in the annual report.

The cost to Kingfisher of the tax advice has been approximately £4,000 each year since the early 1980s. Fifteen days ago, on January 20, Sir Geoffrey authorised the payment of a £2,230 invoice from Coopers & Lybrand for advice it had given on his and his wife's personal tax affairs during 1994.

Details of the tax advice payment were given along with other documents available for inspection by shareholders. It shows that Sir Geoffrey himself authorised the payment of £3,600 to Coopers & Lybrand for professional services plus £200 value added tax.

A few days later on January 17 1995 from Mr Mike Curran, a Coopers & Lybrand manager, to Sir Geoffrey states: "The agreed practice is for the invoice to be passed to the Kingfisher finance department care of Susan O'Donovan for settlement, subject to your agreement".

Last month Kingfisher's chief executive and finance director were ousted following news of poor trading at Comet and Woolworth. Sir Geoffrey was also demoted to chief executive from his position as executive chairman.

Mr Nigel Whittaker, another



Sir Geoffrey: payments not included in annual reports

Kingfisher executive director, described the fact that the cost of tax advice had not been included in Sir Geoffrey's total pay as "oversight".

He said Sir Geoffrey had declared the benefit in his own tax return and that the cost of the tax advice would be included in his total emoluments in the company's next report and accounts.

A detailed breakdown of the work done for Sir Geoffrey by Coopers & Lybrand and paid for by Kingfisher includes:

- "Preparation of the stock transfer form transferring British Gas shares from Sir Geoffrey and Lady Valerie into Lady Valerie's sole name."

- "Work undertaken in connection with inheritance tax issues for Sir Geoffrey."

- "Correspondence with Sir Geoffrey, Lady Valerie and

third parties gathering information for their tax returns for the year ended April 5 1994."

Sir Nigel Mobs, who has taken over temporarily from Sir Geoffrey as chairman of Kingfisher, said the company has paid for Sir Geoffrey's tax advice for many years. "It's been going ever since he became a director of Kingfisher," he said. "To withdraw it would be a change of the terms of his employment."

Sir Nigel also said the remuneration committee, of which he is a member, would discuss at its next meeting the length of executive directors' service contracts and their pay levels.

Kingfisher shareholders last week expressed concern that four executive directors have three-year rolling contracts entitling them to large pay-offs if they are forced off the board. They also want to see Sir Geoffrey's total pay, £1.31m for the year to January 29 1994, cut. However, Sir Geoffrey and two other executive directors have clauses in their service contracts which ensure that their basic pay cannot be cut.

"The salary shall be reviewed by the company no later than August 1 in each year and may be increased but not reduced," Sir Geoffrey's contract states. The company said yesterday that his £20,000 basic salary had not been increased since August 1 1993. While it is relatively common for large US public companies to pay for their directors' personal tax advice, it is always declared to shareholders. Remuneration consultants say it is still rare for UK companies to pay for such advice.

Prices set for £4bn generator share sale

By Peggy Hollinger

The first instalments in the government's £4bn sale of its remaining 40 per cent shareholdings in Britain's two largest electricity generators are likely to be set next week at 170p per share for National Power and 185p for PowerGen.

Details of the partly paid offer will be published on Monday in the preliminary prospectus for one of the largest international equity offers expected this year.

The shares are being offered in packages of three National Power to two PowerGen.

The UK public offer is due to open on February 16 and close on March 1. The international offer closes on March 3.

The first instalment applies only to private investors. The first institutional instalment will be set after a book-building exercise which begins later this month.

The sale has been arranged so that payments will be made in three different tax years. For each company, the second instalment for UK retail investors will be the same as the first.

The price of the third instalment will be set on March 6, when trading in the partly paid shares is due to begin.

The price will depend on market conditions and the demand shown by institutions.

The pathfinder is also expected to include a dividend forecast for 1994 and 1995, and the minimum investment allowed under the offer. Investors will be most interested, however, in the section of the prospectus covering regulation.

National Power shares closed yesterday down 1p at 175p. PowerGen finished 5p down at 181p.

Greg Dyke to become director as Frank Barlow leaves board Gerry Robinson to chair BSkyB

By Martin Mulligan

British Sky Broadcasting Group, the satellite television company, announced yesterday that Mr Gerry Robinson, Granada's chief executive, is to replace Mr Frank Barlow as chairman.

Mr Barlow, managing director of Pearson, which owns the Financial Times, will also step down from the board to be replaced by Mr Greg Dyke, chairman and chief executive of Pearson's television interests.

BskyB shares rose 51p to 283p on the news.

Mr Barlow, who has been chairman since 1991, said: "Pearson recently recruited Greg Dyke. It is therefore sensible that he should be Pearson's representative on the board of BskyB."

"I have been happy to have chaired the company through the period of its successful flotation."

He added that Mr Dyke's "considerable experience of broadcast media" would form "a valuable addition to the board of Sky".

Mr Sam Chisholm, chief executive of BskyB, praised the "important contribution to

the success of Sky" made by Mr Barlow, adding: "I am delighted to welcome Greg to the board and we are fortunate to have a man of the calibre of Gerry Robinson to take on the role of chairman."

Mr Robinson said yesterday: "Granada has a fairly chunky interest at 11 per cent. It is important that we stay close to that. We have very good relationships with that management team."

He hoped that the decision would finally end "unwarranted speculation" that Granada was about to sell its stake.

He saw Granada as a BskyB holder rather than merely an investor.

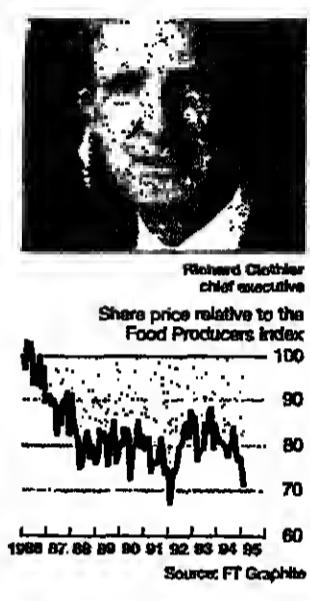
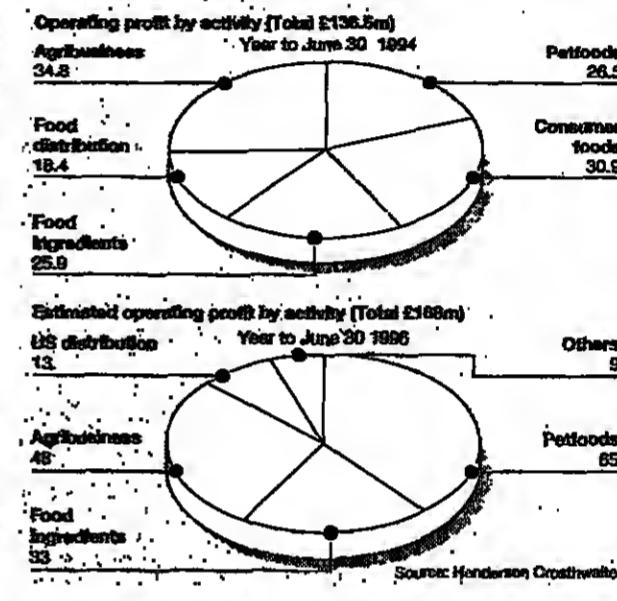
"Granada had every opportunity to sell off its shares at the recent BskyB flotation and chose not to do so. Yes, at some point we are likely to sell, but at a point when we have some other investment to make. And there is nothing on the horizon," he said.

BskyB floated in London and New York on December 8. Mr Rupert Murdoch's News Corp now has 40 per cent with Charter of France holding 17 per cent and Pearson having 14 per cent.

Well balanced on three legs?

Dalgety has pared down its operations from the diversification of the 1980s, writes Roderick Oram

Dalgety



half the size of its US operation.

The origins of food ingredients go back mainly to Dalgety's purchase of Spillers, the flour miller, in 1979 after a famously heated and protracted battle. But now the range runs from flour to the likes of seasonings, coatings, flavours and proteins it supplies to food makers.

Growth here can come from in-fill acquisitions in a fragmented industry, Mr Clothier said. Dalgety did look closely at buying Allied Domecq's DCA ingredients business in the US late last year but was happy enough to let Kerry Group of Ireland take it away for £265m. "We only wanted half of it anyway - the coatings business - and would have sold the baking mixes," Mr Clothier said.

In pet foods, Dalgety had a good base in Spillers, to which it beefed up its European presence with the 1993 purchase of

Paragon from British Petroleum and a later purchase in Spain. But it was only Quaker Oats' continental business which would give it the ability to take on Mars, the dominant player with almost half the market.

Only Dalgety, notably at its Barrhead, Scotland, plant, and Mars can produce pet food on a cost-effective scale that belies the competition. Their manufacturing costs on a case of 24 cans of pet food is about 70p, fully 25 per cent less than Quaker, estimates Mr David Lang of brokers Henderson Crosthwaite. But only Dalgety plus Quaker can match Mars on marketing and distribution.

However, if there is one key ingredient to Dalgety's future success, it will be building a true international culture. "We need a bunch of managers who can trust each other and work together," Mr Clothier said. This will be particularly crucial for growing a pan-European pet food business.

The discipline will extend to the factory floor, one analyst suggested. "It's easier in Barcaldine than Barcelona to get people to work night shifts."

Saatchi loses \$20m Tyson account

By Diane Summers, Marketing Correspondent

Saatchi & Saatchi, the advertising agency, yesterday said it was deeply disappointed to have lost its account with Tyson Foods, worth up to \$20m (£13m) in annual billings.

Tyson, the world's largest producer of chickens, has fired Saatchi after seven years. But it emphasised the move was unrelated to the recent ousting of Mr Maurice Saatchi as chairman of the Saatchi & Saatchi holding company.

Mr Jack Dunn, Tyson's vice president for retail sales and marketing, said the company had had no relationship with Mr Saatchi. It was "simply time for a change".

Mr Michael Jeary, Saatchi chairman and chief executive in New York, said the agency was extremely proud of the work it had done for Tyson. He added: "Perhaps it was simply a case of the 'seven year itch' which clients have every right to scratch."

The loss compares with annual billings of \$1.4bn in the New York office.

It comes as Saatchi & Saatchi prepares to compete for the British Airways' world-

wide advertising account, worth £60m, head-on with a new agency formed by Mr Saatchi. A number of other executives from the London office, some of whom have worked specifically on the BA account, have joined Mr Saatchi. Saatchi & Saatchi has produced BA's award-winning advertising for 11 years.

The London office suffered a further blow this week losing business worth £20m from Burger King, the hamburger chain. However, the agency believes it may still be in line for an increase in its media-buying contract for Burger King.

SE payroll rises 20% at Rank

By David Blackwell

The Rank Organisation raised total emoluments to its directors by 20 per cent in the year to October 31, from a revised £1.16m to £2.62m, according to the report and accounts.

The 1993 figures have been restated as Rank has decided to include performance-related pay in the year in which it is earned rather than when paid.

Under the old system total emoluments in 1994 would have been 31 per cent higher than £2.37m (£1.51m).

Mr Michael Gifford, chief executive, received a 6.1 per cent rise in salary to £233,000. His bonus and other benefits makes a total of £485,000, up 23 per cent. Pension contributions of £40,510 were paid.

Mr Terence North, managing director of the leisure division, received a 10.8 per cent rise to £122,000 - the salary paid to all six remaining executive directors. But his total remuneration fell by 3 per cent to £231,000, in line with the fall in profits in that division.

Mr James Daly, managing director of the film and television division, received total remuneration of £231,000, up 49 per cent, reflecting a rise in the division's profits from £49.4m to £86.9m.

SE blows marketmakers' cover

By David Wighton

The Stock Exchange has dealt another blow to marketmakers' efforts to keep large share stakes secret by ruling that companies can publish details of holdings provided by marketmakers following the issue of section 212 notices.

These notices, which require the recipient to disclose the beneficial owner of shares in

their possession, have been

dealt with by Northern Electric and Yorkshire Electricity to force Swiss Bank to disclose holdings of 3.5 per cent in Northern and 8.2 per cent in Yorkshire.

Swiss Bank, adviser to

Trafalgar House in its £1.2bn

bid for Northern, entered into

derivatives contracts with

Trafalgar related to several

electricity companies' share

prices. It did not disclose

stakes on the grounds that they were marketing positions.

Marketmakers are exempt from the rule that share stakes of over 3 per cent must be disclosed.

Only when the companies

issued 212 notices to Swiss

Bank were the stakes revealed.

Swiss Bank complained on

publication but the Stock

Exchange ruled that the companies were entitled to do so.

Causeway raises £65m from its third fund

By Richard Gourley

Forming well and yet the new issue market is over-loaded.

"Managements are turning to funds such as ours for buy-out and development capital finance," he added.

Causeway focuses on deals of between £5m and £20m.

Premier purchase

Premier Consolidated Oilfields now owns, has received acceptances or has agreed to acquire 28.3m Pict Petroleum shares, representing 54.4 per cent.

Accordingly, the recommended £102m offer has become unconditional as to acceptances.

Jefferson Smurfit, the Dublin-based paper and packaging company, said Mr Howard Kilroy, its president and chief operating officer, would step down at the end of March.

Mr Kilroy, 58, will maintain a seat on the board as a non-executive director and has agreed to act as a consultant to the company for 5 years.

His retirement is part of a

change in the structure of

senior management to reflect

the group's growing geographic spread.

This involves setting up an executive committee

INTERNATIONAL COMPANIES AND FINANCE

Metallgesellschaft sues ex-executives for DM27m

By Andrew Fisher in Frankfurt

Metallgesellschaft, the German industrial and trading company which nearly collapsed last year, accused its former chairman and finance director of gross dereliction of duty when it fled for damages yesterday in a Frankfurt court.

It said they had allowed "a dare-devil policy of expansion" in the US, where of trading losses nearly bankrupted the company.

Metallgesellschaft said this week that MG Corp, the US subsidiary, made a DM3.5bn (\$2.2bn) loss in the financial year to September 30 1994, heavily offsetting a profit in the rest of the group.

The damages suit came a week after an auditors' report criticised Mr Heinz Schimmelbusch and Mr Meinhard Forster, former chairman and finance director respectively, for neglecting their duty as directors. Both were dismissed in December 1993.

Metallgesellschaft claimed DM27m compensation from the two men - DM5m from Mr Schimmelbusch and DM22m from Mr Forster. It said that for cost reasons, it was only seeking a small amount of damages at this stage in relation to the total losses. But it reserved the right to make further claims.

As well as responsibility for the US trading debacle, Metall-

gesellschaft also charged Mr Schimmelbusch with having had a house in Frankfurt purchased and renovated for his own use at company expense without authorisation. It said his New York apartment had been expensively renovated by MG Corp.

In addition, the suit claimed he had accepted options on 600,000 shares in Methane Corporation of Canada, then partly owned by the company, without telling the supervisory board.

Mr Schimmelbusch has filed a \$10m suit in New York against Metallgesellschaft and Deutsche Bank (which led last year's DM2.4bn rescue package) alleging defamation.

ABN Amro units to be renamed

By John Gapper, Banking Editor

ABN Amro, the Dutch bank, yesterday confirmed it is to rename most of its investment banking operations ABN Amro Hoare Govett, in order to capitalise on the name of the UK stockbroker it acquired three years ago.

It insisted the move, taking effect from next week, did not imply Hoare Govett's name would be eliminated. Several old-established London brokers' names have disappeared following their acquisition.

The move is the latest in ABN Amro's attempt to build a strong investment banking business. It has concentrated

on buying a network of brokers in European and Asian countries. Hoare Govett in London is being the biggest.

The bank started running its investment banking functions globally last year, and Mr Nick Whitney, Hoare Govett's chief executive, is also global head of equities. Corporate finance and fixed income are run from the Netherlands.

Mr Louis de Bievre, ABN Amro board member responsible for investment banking, said use of the joint name "may not be forever, but is for years to come" because ABN Amro regarded Hoare Govett as a strong international name.

Mr de Bievre also predicted

that ABN Amro would consolidate its purchase last November of a 20 per cent stake in HG Asia, a leading Asian stockbroker, by moving to acquire majority control within a couple of months.

Although ABN Amro Hoare Govett will become the legal name for equity, bond and corporate finance activities, the names of some banking subsidiaries, including those in Italy and France, may be retained as local brand names.

ABN Amro's equity operations in the US are mainly confined to selling European and Asian equities to US investors. It has recently obtained a licence to underwrite US corporate bonds.

Demand outpaces Harley-Davidson

By Tony Jackson

World demand for motorcycles from Harley-Davidson, the US manufacturer, continued to outstrip supply last year, with shipments up 19 per cent in the final quarter and 17 per cent for the year.

Net earnings for the quarter rose 34 per cent to \$25m, or 33 cents a share, and by 41 per cent to \$104m, or \$1.37, for the year. Full-year sales were \$1.5bn, a rise of 27 per cent.

Harley said its inability to

meet demand, which has been the case since 1989, caused its US market share for large motorcycles to drop from 57.7 per cent to 55.5 per cent in the first 11 months of last year.

However, Mr Richard Teerlink, chairman, said plans to increase capacity to 100,000 units - compared with shipments of 95,800 in 1994 - were a year ahead of schedule.

Operating profits in the Holiday Rambler division, which makes recreational vehicles, were \$7m, against a loss of \$60m, on sales up 35 per cent at year-end.

After that, contingent interest payments on the notes are expected to equal about 25 per cent up to total revenues of about \$1.05bn.

The first SPN issue was launched in 1992, when Disney raised \$400m. Investors in the \$475m SPN launched last year - have shared part of the revenues from a total of more than 20 films.

Citibank and CS First Boston, which will act as lead managers for the issue, declined to comment.

Individual investors can buy the bonds but they are targeted mainly at institutions such as pension funds, with an estimated 50 per cent of demand coming from the US.

Disney to tie eurobond to film package

By Richard Lapper

Walt Disney is to give investors another chance to share in the future success of its feature films. That chance will come in the shape of a eurobond issue, scheduled for a launch next week, which will be partly tied to revenues on a package of feature films.

No details are available about which films would qualify for the new package but cartoon films, such as the popular *The Lion King*, are not expected to figure.

The bond - known as a senior participating note (SPN) - will be the third of its type. Investors in the second issue - a \$475m note launched last year - have benefited from the success of box-office successes such as *The Santa Clause* and *Pulp Fiction*.

Terms of the new issue are still to be finalised, but it is understood Walt Disney is seeking some \$300m. The paper will carry a coupon of about 8 per cent but investors can also expect to receive so-called "contingent interest payments".

These will be based on returns on a package of feature films, which will cost Disney some \$500m to make, excluding advertising costs. Investors can expect to receive between 55 and 60 per cent of revenues from the package of films in excess of about \$850m up to about \$1.05bn.

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Big Blue dresses for a picnic

By Louise Kehoe in San Francisco

They are wearing blue jeans at Big Blue. In a move symbolising his efforts to change IBM's stodgy, bureaucratic corporate culture, Mr Lou Gerstner, chairman and chief executive, has done away with the company's button-down dress code which dates back to the 1950s.

And the group is not only changing clothes but its 30-year-old headquarters. It will be partly tied to revenues on a package of feature films.

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the existing building in Armonk, New York.

Since his arrival at IBM almost two years ago, Mr Gerstner has himself been deliberately flouting the rules on dress.

IBM executives quickly caught on. White shirts and dark suits labelled them as part of the "old guard". Sweatshirts and slacks have become de rigueur.

To compete effectively with the likes of Microsoft, it seemed, IBM needed to take a leaf out of the West Coast business fashion book, adopting the "work till you drop" but

look as if you're having a picnic" style.

Mr Gerstner told employees of the plans for a new headquarters yesterday. "Our current facility is simply no longer suited to serve as the headquarters of the world's leading information technology company," he said.

The building has too many offices (many of them now empty) and too little space for large meetings with customers, Mr Gerstner said.

"We will create a campus-like atmosphere," Mr Gerstner said. "World Headquarters" has, in fact, become a bit of an embarrassment for IBM. Instead of the imposing struc-

Polaroid to shed up to 600 staff

By Tony Jackson in New York

Polaroid

Shutterstock

The company said it would accelerate its moves into developing countries such as China and India, aiming to repeat its recent success in Russia, now one of its largest markets.

In China, it is to open three new regional offices and expand its sales force. Sales in developed economies, such as the US and Europe, were disappointing last year, with US sales down 10 per cent in the final quarter.

Polaroid said the moves would result in annual savings of \$25m-\$35m in operating costs, as well as increasing sales.

It added that it would buy back \$100m worth of stock or some 7 per cent of the total, in addition to the \$20m remaining under a previous buy-back programme. The change would improve its control over distribution channels.

Bramalea to get C\$300m funding

By Bernard Simon in Toronto

International Realty Investors, a group of prominent international investors led by Mr Steven Green, a US financier, is to invest C\$300m (US\$213m) in Bramalea, the beleaguered Canadian property developer.

Bramalea negotiated a debt restructuring in 1993, but has again been forced to turn to its creditors for help. The investment would take the form of secured debt convertible into common shares and the group would emerge as Bramalea's largest single shareholder.

Backers of International Realty include Mr Rupert Murdoch, the American-Australian media tycoon; Mr Craig McCaw, chairman of McCaw Cellular Communications; and a family trust set up by Mr Michael Milken, the former junk-bond financier.

International Realty recently gained control of the UK's Heron International property group, and is involved in the proposed modernisation and expansion of Moscow's historic GUM department store.

Its proposed investment is conditional on lenders willing to convert up to C\$60m of Bramalea debt into equity. Creditors have so far balked at converting their debt at the C\$8 per share proposed by Bramalea.

In addition, lenders are being asked to extend C\$750m of loans for five years from their present maturity date of March 1998.

Deloitte Touche plans global changes

By Jim Kelly, Accountancy Correspondent

Mr Jacques Manardo, European chairman of Deloitte Touche Tohmatsu, confirmed yesterday that plans were being developed to reorganise the accountancy organisation's consultancy practices on a global basis.

Mr Manardo plans a European integration, along with their other regional groups worldwide, with full global integration planned in three to five years. The worldwide organisation had an income

stay as united as we can."

He said that a "small nucleus of leaders" had been working on the project, which would be put to other partners for discussion "within the next few weeks". He acknowledged that achieving change would be more difficult in countries organised as partnerships.

Mr John Horne, senior partner of Touche Ross in the UK said: "We are talking about the early steps in the global integration of our consulting business. I regard this as a terrific opportunity for our consultants."

Mr Manardo denied there were plans to split consultancy from other services, such as auditing and accounting. "We do not plan to go the Arthur Andersen way. We want to

to

keep the most out of working abroad

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COMMODITIES AND AGRICULTURE

WORK IN THE MARKETS
Early fears vanish as prices ease

Fear gripped metal producers this week when some of the speculators and investment funds whose buying had helped to drive London Metal Exchange prices sharply skywards in 1994, started to sell and take their profits.

Copper prices fell below the psychologically important US\$3,000 a tonne level, dragging other LME metals down with it and causing serious concern among producers that prices were about to crash.

But prices stabilised at the end of the week, helped by a substantial fall in stock levels reported by the exchange yesterday.

LME WAREHOUSE STOCKS
(as of Thursday's closing
levels)

Aluminium -9,775 to 12,985,100

Aluminium alloy -220 to 307,450

Copper -1,028 to 327,725

Lead -1,028 to 189,725

nickel -9,850 to 15,000,000

Tin -140 to 27,300

terday, and many analysts suggest that demand for most of the LME metals is so strong this year that prices are still some way below their potential peak for this economic cycle.

The frenetic performance of the non-ferrous metals in recent weeks reflects sustained strength in the fundamentals," said Ms Rhona O'Connell at stockbroker T. Hoare & Co.

"While there are differences within the sector, the overall trend is still up. Even if, as we believe possible, a proper correction develops towards the year-end, this year's average prices will in general be markedly higher than those of last year. The metals' strength has a good nine months more to endure."

Giving his views on the copper market to Reuter, Mr Fred Demler, senior vice president at E E & F Man International in New York, suggested that copper stocks, at present equivalent to only 51 weeks of supply, were likely to rise to 53 weeks by

ply, might fall below four weeks by the end of 1995. Copper prices would set new highs during the course of the year, he predicted, and reach \$1.60 a lb (US\$3.84 a tonne), and "there is an outside chance that copper may touch \$1 a lb (\$4.608 a tonne) if inventories fall more than expected."

Three-month copper closed last night at \$2,880.50 a tonne, down another \$3 on the day, having slipped by \$113 or 3.7 per cent during the week.

Only recently copper reached a 5% year peak of \$3,065 a tonne, aluminium was also at its highest for 5 years at \$2,196 a tonne, while nickel reached a 5% year high of \$10,600 a tonne.

An indication of the strength of metals demand came on Monday from the International Lead & Zinc Study Group, an intergovernmental organisation, which estimated that demand for both metals reached record levels in 1994. Zinc consumption increased by 190,000 tonnes to 5.72m tonnes, 3.5 per cent ahead of 1993 and 6 per cent up from the 1992 total. Lead consumption, at 4.73m tonnes, was up by 5.3 per cent from 1993.

Nickel prices had risen 30 per cent in the past few months and were due for a correction, brokers Rudolf Wolff warned in a market update yesterday. The price could fall to \$9,640 a tonne if the funds sold some of their holdings, or even to \$9,000 without harming the medium-term upturn, Wolff said.

Last night three-month nickel closed at \$9,700, down \$17.50 a tonne on the day and \$25 over the week.

Meanwhile, London coffee futures closed weaker across the board last night after a trade and a speculator-led sell-off.

The fall was blamed on lack of supportive news from the meeting of Central American coffee producers. But late in the day Reuter reported from Guatemala City that the Central American producers would revise downwards their coffee export estimates by between 5 and 10 per cent.

Kenneth Gooding

BASE METALS

LONDON METAL EXCHANGE

(Prices from Amalgamated Metal Trading)

■ ALUMINIUM 99.7% PURITY (6 per tonne)

Cash 378.5 -0.3 377.2 378.1 3,368 1,200

Close 378.5 -0.3 377.2 378.1 3,368 1,200

Previous 378.5 -0.3 377.2 378.1 3,368 1,200

High/low 2100/2395.5 2152/2408

AM Official 2095.5-100 2152.5-40

Kerb close 2105.5-40

Open int. 22,959

Total daily turnover 49,958

■ ALUMINIUM ALLOY (3 per tonne)

Cash 475.5 -1.2 475.5 476.5 1,728

Close 475.5 -1.2 475.5 476.5 1,728

Previous 475.5 -1.2 475.5 476.5 1,728

High/low 475.5 -1.2 475.5 476.5 1,728

AM Official 2000/2040 2030-40

Kerb close 2000/2040 2030-40

Open int. 2,876

Total daily turnover 4,923

■ LEAD (6 per tonne)

Cash 161.5 -7.5 161.5 161.5 1,728

Close 161.5 -7.5 161.5 161.5 1,728

Previous 161.5 -7.5 161.5 161.5 1,728

High/low 161.5 -7.5 161.5 161.5 1,728

AM Official 161.5-10 161.5-10

Kerb close 161.5-10 161.5-10

Open int. 22,588

Total daily turnover 42,683

■ NICKEL (6 per tonne)

Cash 6990.0-0 6990.0-0

Close 6945.5-5 6945.5-5

Previous 6945.5-5 6945.5-5

High/low 6945.5-5 6945.5-5

AM Official 6970.0-0 6940.0-0

Kerb close 6940.0-0 6940.0-0

Open int. 10,026

Total daily turnover 12,085

■ ZINC (6 per tonne)

Cash 1105.5-5.5 1105.5-5.5

Close 1112.5-5 1112.5-5

Previous 1111.5-5 1112.5-5

High/low 1112.5-5 1112.5-5

AM Official 1121.5-5 1117.5-5

Kerb close 1117.5-5 1117.5-5

Open int. 100,063

Total daily turnover 12,055

■ COPPER, grade A (6 per tonne)

Cash 2083.5-5.5 2083.5-5.5

Close 2080.5-5 2080.5-5

Previous 2080.5-5 2080.5-5

High/low 2080.5-5 2080.5-5

AM Official 2081.5-5 2080.5-5

Kerb close 2080.5-5 2080.5-5

Open int. 203,127

Total daily turnover 83,349

■ LME CASH & FOB rates 1/8/95

■ HIGH GRADE COPPER (COMEX)

Buy's Day's Open

Cash change High Low Int. Vol.

Feb 132.30 -2.40 132.70 122.30 1,730 408

Mar 131.15 -2.15 131.30 130.50 1,952 15

Apr 129.00 -2.00 130.00 1,952 1,728

May 127.45 -2.45 128.20 128.20 595 4

Jun 126.85 -2.45 126.20 126.20 4,154 2

Total daily turnover 10,026

■ GOLD COMEX (100 Troy oz, \$/troy oz.)

Buy's Day's Open

Cash change High Low Int. Vol.

Feb 378.5 -0.3 377.2 378.1 3,368 1,200

Mar 377.4 -0.3 377.2 378.1 3,368 1,200

Apr 377.3 -0.3 377.2 378.1 3,368 1,200

May 380.1 -0.6 380.1 383.3 3,368 1,200

Jun 380.0 -0.6 380.1 383.3 3,368 1,200

Total daily turnover 18,085

■ PLATINUM NYMEX (50 Troy oz, \$/troy oz.)

Buy's Day's Open

Cash change High Low Int. Vol.

Feb 164.0 -1.1 164.5 163.5 1,728

Mar 163.5 -1.2 164.0 163.5 1,728

Apr 163.0 -1.2 164.0 163.5 1,728

May 162.5 -1.2 163.0 163.5 1,728

Jun 162.0 -1.2 163.0 163.5 1,728

Total daily turnover 18,085

■ SILVER COMEX (100 Troy oz, \$/troy oz.)

Buy's Day's Open

Cash change High Low Int. Vol.

Feb 482.5 -0.4 482.5 482.5 1,728

Mar 482.0 -0.4 482.5 482.5 1,728

Apr 481.5 -0.4 482.5 482.5 1,728

May 479.5 -0.4 482.5 482.5 1,728

Jun 479.0 -0.4 482.5 482.5 1,728

Total daily turnover 18,085

■ COIN SILVER COMEX (100 Troy oz, \$/troy oz.)

Buy's Day's Open

Cash change High Low Int. Vol.

Feb 482.5 -0.4 482.5 482.5 1,728

Mar 482.0 -0.4 482.5 482.5 1,728

Apr 481.5 -0.4 482.5 482.5 1,728

May 479.5 -0.4 482.5 482.5 1,728

Jun 479.0 -0.4 482.5 482.5 1,728

Total daily turnover 18,085

■ ENERGY

■ CRUDE OIL NYMEX (42,000 BBL units, \$/barrel)

Buy's Day's Open

Cash change High Low Int. Vol.

Feb 15.00 -0.14 15.00 14.95 1,728

Mar 14.95 -0.14 15.00 14.95 1,728

Apr 14.90 -0.14 15.00 14.95 1,728

FINANCIAL TIMES

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Saturday February 4 1995

The turn of two screws

For those who have been persuaded by bitter experience that the purpose of monetary policy is to secure votes for incumbent politicians, Mr Kenneth Clarke may seem something of an enigma. The British chancellor's readiness this week to see interest rates rise again, despite a depressed housing market and much talk of the missing 'feel-good' factor, certainly struck some of his Tory colleagues as economically prudent to the point of political naivety.

In the US, meantime, the Federal Reserve has now presided over a doubling of short-term interest rates within the space of a year, without inflation posing a tangible threat. The week's events underline just how far the rules of the monetary game have changed. But will this experiment in preemptive tightening work?

In the limited sense of delivering stable prices – the textbook objective of monetary policy – the new fashion for striking early looks preferable to what went before. Part of the problem with containing inflation is that, by the time it is accelerating, inflationary expectations are worsening sharply. Because the authorities used to feel a need to justify their actions to the general public, they were slow to act without clear evidence of overheating.

The result is that it has taken very big increases in nominal interest rates to bring about a sufficient rise in real rates to rein in the economy and curb inflation.

Jumping the gun, as both the British and Americans have now been doing, offers the prospect of smaller nominal increases in interest rates over the economic cycle and a softer landing.

The political calculation is that, after the devastating experience of inflation in the 1970s and 1980s, the constituency for stable prices has grown. And if the pre-emptive tightening is well judged, interest rates may anyway be falling again and real incomes rising in time to deliver an electoral dividend – not least because of enhanced government credibility with markets.

Political gamble

That is why politicians have been prepared to concede a growing say to central bankers in the conduct of monetary policy, as Mr Clarke has done by publishing the minutes of his meetings with the governor of the Bank of England. Yet this stiffening of anti-inflationary resolve remains a political gamble for all that.

Since the abandonment of money supply or exchange rate targeting, interest rate decisions are being taken on a discretionary basis in the light of conflicting signals about the state of the economy. The response to interest rate

changes is lagged and unpredictable. In the UK, at present, increases in rates bear disproportionately hard on home owners and on the non-tradable sector. Overkill is a possibility. That can be corrected at a lower economic cost than a 'too little too late' policy. Yet the political cost may be another matter.

Nor can monetary policy be judged in isolation from fiscal policy. If the recent rises in UK rates pave the way for excessive tax cuts in the November Budget, credibility will be lost. So, too, will the nicely balanced nature of the recovery if a change in the policy mix causes sterling to strengthen, so cheapening imports and making exports less competitive just as the consumer's pocket benefits from fiscal largesse.

Wider criticism

The wider criticism of more independent central banking might be that it looks like a case of bolting one stable door too late, when another is wide open. The risk is that the structural budget deficits that stretch across the developed world may already be monetised by weak governments. Here the bond markets are providing better early warning than they did with Mexico's financial problems before Christmas. But as with Mexico, disciplinary medicine may yet have to be administered by the International Monetary Fund, as it was in the 1970s in Britain and Italy.

The Mexican crisis certainly suggests that the IMF was written off prematurely last year, when the international community pondered what to do with the 50-year-old Bretton Woods institutions in the light of the growth of private capital flows. Yet it is hard to see the IMF making a good fist of the job that the Group of Seven industrialised countries is discussing for this weekend: trying to spot countries that are running into trouble before the markets spot them. There is, at the very least, a great deal more to be discussed than the IMF's future role than surveillance, if private capital needs a global policeman after all.

A market crunch has anyway traditionally been needed before governments accept that there is no alternative to IMF conditionalities. The circumstances in which elected politicians would be prepared to contract out fiscal policy before a crunch would be rare indeed.

For first world countries this all falls into the realm of the possible rather than the probable, as yet. The best hope must be that pre-emptive monetary strikes, backed by market pressure for prudent fiscal policy, will keep Mr Clarke and his fellow politicians on the path of virtue. So far, so good.

The UK and Irish governments have earned many plaudits for the determination with which they are striving to end permanently 35 years of sectarian violence in Northern Ireland.

Their painstaking efforts to construct a balanced and durable settlement have made great progress, most importantly in the ceasefire that began five months ago. The longer it holds, the more fervently the province's people are likely to want to avoid going back to war. The transformation in the general mood and outlook, already striking from Belfast to Londonderry, makes it more difficult for the paramilitaries to dust off their paramilitaries.

Yet at this week's events have demonstrated, the two governments appear to be as far as ever from reconciling the conflicting aspirations of Irish nationalism and Ulster unionism on one other fundamental question: how relations between Northern Ireland and the Republic of Ireland are to be handled.

Much distance has already been travelled in seeking to bridge the divide. The British government declared in 1990 that it had no 'selfish or strategic or economic' interest in Ulster. This was underlined by the 1993 Downing Street declaration which stated that Britain's 'primary interest' is to see 'peace, stability and reconciliation'.

The Irish government has acknowledged – in the joint declaration – that imposing a united Ireland without the consent of a majority of Ulster's people would be 'wrong'.

But this progress cannot obscure the fact that the most difficult decisions have mainly still to be taken. The IRA has still not decided whether the ceasefire is for good.

Nor is it yet clear whether Dublin will agree to dilute its constitutional claim over Northern Ireland in terms that will be acceptable to unionists. Even if they are, the amendments to Ireland's constitution must still be ratified in a referendum.

The furious reaction of unionists to this week's leak in *The Times* newspaper of excerpts from a draft of the framework document setting out UK-Irish proposals for an overall settlement has underlined the depth of the division between the two sides.

Even allowing for an element of hyperbole in their denunciations, the difficulty of convincing unionists to accept any but the most moderate of north-south institutions is now clear.

Many unionists are adamant that it should be left entirely to a future Ulster assembly to determine the nature and scope of relations with Dublin. But this is unacceptable to nationalists who fear unionists would use their majority in this assembly to block the establishment of cross-border bodies.

The usually moderate Ulster Unionist party has been emboldened in its opposition to the two governments' efforts by the leverage it currently enjoys over Mr Major, the British prime minister.

Since the departure from the parliamentary party of nine rebel Tory Eurosceptics, Mr Major has been technically at the head of a minority government. This makes him dependent on the support of at least one of the smaller parties – in practice, the Ulster Unionists.

Over the past 18 months, the nine Ulster Unionist MPs have generally been willing to oblige. In return, Mr James Molyneaux, the party's 74-year-old leader and a pivotal figure in the peace process, has been kept

closely informed of developments.

But the MPs are threatening to scrap their understanding with the government unless cross-border proposals in this week's leaked draft are substantially watered down. This is in spite of increasingly urgent government assurances that the framework document will not be imposed on Northern Ireland. Mr Major has emphasised that it merely provides the starting-point for talks involving Ulster's main constitutional parties – possibly including Sinn Féin, the IRA's political wing. The outcome of those talks would then be put to a referendum of cross-border bodies.

The draft envisages a north-south body involving 'heads of department' in Dublin and Belfast 'firmly established and mandated by legislation' in Westminster and Dublin. This body would discharge 'delegated executive, harmonising or consultative functions' in a range of sectors including those with a 'natural, physical all-Ireland framework'.

In a proposal that has sparked concern in the Eurosceptic wing of the Conservative party as well as among unionists, the body would develop a joint approach to the European Union for the island of Ireland. Participation would be a 'duty of service' for those holding relevant posts in the Ulster assembly and the Irish parliament.

However, the proposals are

thought to suggest that the body would not be able to operate executive powers without the agreement of both the assembly and the Irish parliament. Dublin wanted a joint UK-Irish committee to deal with complaints about decisions made by the assembly, especially if it was blocking progress on north-south initiatives. But the proposals make clear that such complaints would be a matter for the British government, although the two governments could discuss specific difficulties.

The framework document will also contain an outline of the key constitutional trade-off between the two governments. Dublin would dilute its territorial claim over the province, although it is not yet clear whether it will remove the claim altogether. London would change or replace the venerable 1920 Government of Ireland Act, implementing partition to ensure the principle of consent.

While Mr Major's weak parliamentary position has undoubtedly enabled the Ulster Unionists to wield considerable influence, the party has looked this week to be in danger of overplaying its hand.

In a threat to withdraw support from Mr Major retains its potency only if it can convince others that it is indifferent to the present government's possible replacement by a majority Labour administration.

However, the proposals are

hard to do this. Mr Jim Dillon, chairman of Mr Molyneaux's Lagan Valley constituency, argues that Labour governments have 'never done Northern Ireland the harm' that their Conservative counterparts have.

But for all the steadfast support of the UK-Irish initiative voiced by Mr Tony Blair, the Labour leader, his party remains technically committed to a policy of unity by consent. While this remains the case, it is hard to believe that Ulster Unionists really would regard a Labour government with equanimity. The party's leverage would in any case disappear if either Mr Blair or Mr Major were elected with a comfortable majority.

Furthermore, the hardline posture adopted by both the Ulster Unionists and Rev Ian Paisley's Democratic Unionist party since the leak is making the unionist politicians look increasingly extreme and outside the mainstream.

Their isolation is emphasised by the comparatively positive comments voiced by politicians like Mr David Ervine and Mr Gary McMichael who represent the views of Protestant paramilitaries. Mr McMichael, leader of the Ulster Democratic party, said this week it was 'ridiculous' to dismiss the framework document out of hand.

It is not even clear that unionist MPs are speaking for their constituents in threatening a general election.

tion in pursuit of wholesale changes to proposed north-south arrangements. Grassroots unionist reaction to Mr Major's dramatic televised plea in the wake of the leak for 'time' and 'trust' to enable the two governments to complete their negotiations was more measured than the highly charged utterances of unionist MPs.

Mr Chris McCluskey, an Ulster Unionist councillor in loyalist west Belfast, said those who were sceptical about the framework document remained sceptical in the wake of Mr Major's broadcast and those who were hopeful remained 'hopeful but concerned'. But he warned that the document should be published as soon as possible if the prime minister was 'going to pull it out of the fire'.

One consequence of this week's developments is that the UK government must now make a judgement on whether to seek to reopen negotiations with Dublin over north-south structures, at risk of further delay to the framework document. The alternative is to call the unionists' bluff by rapidly putting the finishing touches to their joint proposals.

Present indications are that it will adopt the latter course, although ministers are anxious not to make it appear that this week's leak has precipitated an unsightly rush.

If the next planned meeting between Sir Patrick Mayhew, Northern Ireland secretary, and Mr Dick Spring, Irish foreign minister, on Valentine's Day – February 14 – goes well, it could pave the way for publication of the document around the end of this month. This would probably be at or after a summit between Mr Major and Mr John Bruton, the Irish prime minister. Talks involving the main constitutional parties would begin shortly thereafter.

This would have the effect of taking much of the pressure off the two governments and putting it squarely on those debating whether to join the talks or remain inside the process.

From the unionist viewpoint, an end-February publication date would come uncomfortably close to the annual general meeting of the Ulster Unionist council on March 18 when a challenge to Mr Molyneaux's leadership could take place.

If the party is split on how to respond to the governments' proposals, the document could act as a catalyst for such a challenge.

For republicans, the document's appearance will be the signal to make up their mind on whether to start decommissioning IRA arsenals to facilitate Sinn Féin's entry into the subsequent talks process.

The British government has been careful to emphasise that it has not made this a condition for Sinn Féin's participation in the talks. But, it points out, unionists would not join the IRA's political wing at the table while weapons and explosives remained in circulation.

For all this week's focus on the question mark over the Ulster Unionists' continued acquiescence in the process, the prospects for an enduring peace hinge above all on the IRA's willingness to give up violence for good.

Two meetings between British government representatives and Sinn Féin are scheduled for next week in an indication that preliminary dialogue between the two sides may be picking up speed.

But there is scant sign to date of progress on these substantive issues. This may yet be the hardest part of all to pull off.

The most difficult steps on the path to peace in Northern Ireland have still to be taken, says David Owen

And now for the decisive push



MAN IN THE NEWS: Robert Rubin

Dumped in the deep end



Robert Rubin's first meeting with fellow finance ministers from the Group of Seven leading industrial nations was supposed to be an amicable, get-to-know-you session.

But Mexico's financial crisis will have given the new US Treasury secretary, who took over from Lloyd Bentsen less than a month ago, more than enough to discuss with his colleagues in Toronto last night and today.

Such meetings had a reputation for lacking focus, Rubin noted before setting off. 'In this instance,' he said, 'we do have some very serious business to deal with.'

His first task will be to placate his European colleagues, who are furious at being press-ganged into the Mexico rescue this week with virtually no consultation. The collapse of the Clinton administration's efforts to persuade Congress to guarantee up to \$40bn of borrowing to help Mexico out of its liquidity crisis has left the lights burning late at the Treasury. Rubin and his aides struggled to put together a rescue plan including \$20bn of US money – which the president could commit without getting Congress's approval – and an exceptional \$17.5bn loan from the International Monetary Fund.

In the view of some critics, the Mexico affair has also harshly exposed ways in which Rubin falls short of his predecessor.

Bentsen and Rubin each suggested the other when President Bill Clinton asked them in 1992 to nominate a Treasury secretary. Rubin has bragged ever since, with a smile, that the selection of Bentsen to fill the post first, while he himself ran the White House

proved he had more influence than Bentsen.

Rubin won widespread praise for the way in which he used the NEC to co-ordinate the administration's economic policy and ease the usual conflicts among competing agencies and personalities. Helped by a long-standing friendship with Sir Leon Brittan, the European trade commissioner, he also smoothed international frictions.

But Rubin cannot match the years of congressional experience Bentsen had accumulated as senator for Texas; nor has he mastered the politician's art of making a short and telling speech.

When the administration needed a swift vote in Congress on the Mexican loan guarantees, critics say, Rubin had neither the judgment to warn that the tide was flowing against approval, nor the persuasiveness to turn it in the right direction. It did not help that Rubin earned millions in his 26 years at Goldman Sachs, the Wall Street investment bank – just the wrong credentials to argue that the loan guarantees were not simply a bailout for the fat cats of Wall Street.

Colleagues say Rubin's self-assessment comes straight from the Goldman Sachs corporate culture, where teamwork is rewarded and saying 'I' is regarded as abrasive. Others who worked with him at Goldman Sachs say he rarely issued direct orders and never raised his voice, instead drawing out decisions by a process of questioning.

At the NEC, using the skills honed among the egos of wealthy Goldman Sachs executives, Rubin practised what he calls 'social engineering' to ensure that everyone felt their views had been given a

ther who was a leading Brooklyn Democrat. One subject on which a note of passion breaks through his notoriously unshakeable calm is the problem of breaking the cycle of poverty in the inner city.

Despite the tendency in Washington to compare Rubin's performance unfavourably with that of his predecessor, it is far from clear that Bentsen's legendary sense for the shifting winds of Capitol Hill would have been of much use with the new and different Congress that came to power this year. Newt Gingrich, the new speaker of the House of Representatives, has so far cracked a ferocious whiz over his Republican troops, but even he misjudged the hostility to the loan guarantees that prevailed among his supporters. That is especially true of the new members serving their first terms in Washington, such as Zach Wamp of Tennessee or Steve Stockman of Texas, who are far more populist and isolationist than the old timers they ousted last November's election.

This, however, is the Congress that Rubin will have to deal with. This week he said that one of his priorities as Treasury secretary would be to try to increase public understanding of the global economy, to lay the foundations for greater public acceptance of the need to intervene in crises like Mexico's, as well as to continue US financial support for the multilateral development banks.

'Inter-connectedness' is really how I originally phrased it. I'm told that's not a word, so I now refer to it as 'inter-relatedness,' he told a meeting of the Frobisher Woods committee this week, drawing a laugh but at the same time demonstrating he has some way to go to match Mr Bentsen's way with words.

Whatever their irritation at the way the Mexican package was cobbled together, the G7 finance ministers in Toronto this weekend will be an easier audience than the new Congress and the US public.

George Graham

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11am - 4pm (Sat-Sun)

UK time

A quarter of a million Dutch people found out this week what it feels like to be a refugee, as floods from rain-swollen rivers threatened to engulf their homes.

Families forced to pack their belongings and flee areas in the east of the country experienced for the first time a sense of fear and helplessness that is quite foreign to the Netherlands, one of the most prosperous, placid and peaceful countries in Europe.

For Leslie Rickli, her husband and three children, the sudden evacuation from their home in Culemborg, near Utrecht, created an eerie sense of unreality. "We left our house at 12.30 in the morning and then got stuck in a traffic jam for an hour because of all the people leaving Culemborg," she says. "House all around us were being emptied, people had taken down their curtains and the lights were all burning in the middle of the night. It was like a war had started."

The Rickli family took only clothes with them, after moving photo albums and some other belongings to the attic. But some residents of the same neighbourhood loaded up trailers and vans with bikes, video recorders, furniture, refrigerators and anything else they could manage.

The exodus was the biggest peace-time movement of people in the Netherlands, recalling for older people the disastrous coastal floods of 1953, when more than 1,800 died after hurricane-force winds breached sea defences.

Only three people have died in this time and the evacuation has been orderly. But the emergency brought home the

'It's like living in a bathtub'

The floods and crumbling dykes have made the Dutch feel helpless, says Ronald van de Krol

danger of living in an area criss-crossed by rivers, canals and waterways – in a country where half the land is below sea level.

Leslie Rickli's husband, Sapp, a native of Switzerland, is used to torrents of water rushing down mountain slopes and threatening Alpine villages. But after several years in the Netherlands, he has sud-

A wall of water 5 metres high is enough to sweep away a lifetime's work

denly been confronted with the danger of horizontal, as opposed to vertical, water.

"It's like living in a bathtub," he says. "If the dyke goes, the water would blanket our area up to a level of four or five metres."

For much of the time, native-born Dutch people ignore the precariousness of their location on the delta of the Rhine, the largest river flowing through northern Europe. But as a nation, they also tend to stake their identities on the challenges the water poses.

The old saying "God made the world but the Dutch made the Netherlands" sums up the

quiet satisfaction of a country where two-thirds of the population can live below sea level. Their tradition of building harbours, reclaiming land and pushing out the water is 1,000 years old.

The Dutch are used to rivers flooding their banks in the winter. What terrified them this time was the possibility that river dykes would subside, exposing the villages and towns behind and below them to a rush of water. They felt that these floods were not so much a force of nature as a predicament that could have been prevented, if only dykes had been better maintained.

There have been allegations

that river dykes have been neglected in favour of sea defences. But long-standing plans to bolster river defences by replacing many of the earthen dykes with concrete barriers have faced strong opposition from environmental protesters. Many of the new dykes would have been taller, wider and straighter than the existing ones, and were regarded as an eyesore.

Prime Minister Wim Kok tried to head off a debate on responsibility for the flooding when he said this week: "Now is not the time to make accusations at each other." But that did not stop a flash of anger against the government and a

backlash against the environmentalists.

The truth is that most people had come to take the dykes, and their crucial role, for granted. This is particularly true for the generation that remembers the 1953 floods only from old newsreels. Now, the threatened collapse of inland

river dykes has served as a reminder that lives depend on the network of grass-covered bermedades of sand and clay, which most people associate with pleasant bicycle rides in the countryside.

For businesses, the potential crumbling of the dykes brought home the country's

lack of insurance for flood damage. A wall of water 5 metres high is enough to sweep away a lifetime's work.

Peter van den Broek, whose family runs a delicatessen specialising in cheeses and nuts in Tiel, near Nijmegen, managed to get the cash registers and weighing machines up to the

attic before the evacuation order came. In the shop, the refrigeration units were put on metre-high pallets and the electricity turned off before the family car left for Amsterdam.

His neighbour, owner of a do-it-yourself store, had to leave all his merchandise as it was, because his staff had

rushed home to start packing. If the dykes hold, the delicatessen shop will escape water damage. "But it's already costing us because we're not generating any turnover, and our fixed costs are still the same," he says.

His wife has insurance against loss of income, but the Van den Broeks suspect that this will only cover illness, not floods or evacuation.

A subtle irony to this week's mass exodus is that many of the 250,000 evacuees headed for the homes of relatives and friends in the main population centres of Amsterdam, Rotterdam and The Hague. Here, they find themselves still well below the water line – on average, about 4 metres below sea level and dependent on the Netherlands' sea defences of dunes, dykes, locks, tidal barriers and pumping stations.

Vivienne Lourens, a student of hotel management, waited in her home village of Zwansenburg, between Amsterdam and Haarlem, for the flood waters to recede before she could return to her student accommodation in Borgharen, near Maastricht in the flood-threatened area.

Her village, built in a low-lying polder of reclaimed land, was certainly safe ground in this week's battle against the rivers. But ultimately it, too, is in the front-line of the Netherlands' continuing struggle against the sea.

Like most residents of the Netherlands, however, she is not scared by that position. "I wouldn't want to leave the poler," she says. "I'd hate to be away from the water."

Christopher Bobinski and Virginia Marsh on doubts over the future of economic reforms in Hungary and Poland

Five years ago, Hungary and Poland were two of the greatest hopes of the eastern European revolution, examples to other Soviet satellite states of how to throw off the yoke of the "evil empire".

In Budapest they chose the path of economic reform, pioneering moves to a market economy even before they had overthrown the rule of the Communist party. In Warsaw, Mr Lech Wałęsa and the Solidarność movement embraced democracy and began liberalising their ailing state enterprises.

Those heady days are over. Today both countries seem to have slipped back into a state of anxiety and confusion. Both have re-elected old Communists to power, albeit ones professing to have seen many of the errors of their ways. Yet they remain caught in a conflict between the inexorable advance of economic reform, and the desire to preserve something of the old certainties, structures and social solidarity.

In Warsaw, government has been brought almost to a standstill by the confrontation between an increasingly-isolated President Wałęsa, who still sees himself as guardian of the revolution, and the coalition of ex-communists and peasants which now controls almost two-thirds of the seats in parliament.

In Budapest, the government's economic strategy is drifting, with three key economic jobs vacant – those of the finance minister, the central bank governor and the head of the privatisation agency. The confidence of foreign investors is shaken, but the government believes its ambivalence about reform is shared by the electorate.

The irony is that in both countries, regardless of the political confusion – quite possibly also because of it – the economic reform process continues on the ground, where small businesses are thriving.

So far the Polish economic reforms introduced in 1990 appear to be working. Despite the lack of enthusiasm in some parts of the government for free market solutions, growth last year reached 5 per cent – largely thanks to a private sector which accounts for over half of gross domestic product.

The International Monetary Fund team in Warsaw to monitor Poland's current standby agreement

Yearning for the old familiar



Heady days are over: Lech Wałęsa (left) and Gyula Horn

will hear of no shortcomings,

according to Mr Grzegorz Kolodko, the finance minister. Exports last year were up by 20 per cent as imports grew by 13.5 per cent, producing a \$4.3bn trade deficit.

Industrial sales grew by 12 per cent, twice as fast as in the previous year. Only inflation, at 32.5 per cent, was higher than expected, though still several points lower than in 1993.

Yet economics is not what is motivating Mr Wałęsa: politics is the key. He faces a presidential election next November which he looks set to lose. The polls show that he is lagging behind all other serious contenders, including the veteran dissident, Mr Jacek Kuron, and the polished former Foreign Minister, Mr Andrzej Olechowski.

The answer he has hit upon to his falling glamour is the confrontation with the Sejm and Senate, the two chambers of parliament. "Democracy has come to pose a threat to itself," Mr Wałęsa said in a radio

interview this week.

He will argue in his presidential campaign that the failings of the past five years are due to his lack of executive powers. Yet the evidence suggests that, if he dissolves parliament, the electorate will simply vote back the same ex-communist majority – only 14 per cent of the population favour dissolution, and 60 per cent are opposed.

In Hungary, the new government which won an overwhelming 72 per cent of the mandate in general elections last May, inherited an economy that had been largely liberalised. In just four years, the legal framework for a market economy was established, much of the state sector privatised and, on the back of

gruelling market-led reform. The Socialist-Liberal coalition which won an overwhelming 72 per cent of the mandate in general elections last May, inherited an economy that had been largely liberalised. In just four years, the legal framework for a market economy was established, much of the state

sector privatised and, on the back of

US\$7bn in direct foreign investment, the private sector's share of the economy has risen to more than 50 per cent of GDP, contributing to an estimated 3.5 per cent increase in GDP last year.

But the Socialist-led government also inherited a greatly weakened public sector which has borne the brunt of the recession, and a population polarised by its differing fortunes in a competitive economy.

The task of the new government, which pledged to complete the transition to a market economy, is greater than its predecessor's. Many of the most obvious targets for privatisation – typically companies in the consumer goods, services, tobacco, food and pharmaceutical sectors – have long been sold off.

The least attractive companies of those most difficult and sensitive to privatisation, such as utilities and banks, remain in state hands.

The state's ability to manage privatisation is being weakened by the defection of many experienced civil servants to the private sector. Added to this is the ambivalence of many in the new government, including prime minister Gyula Horn, to deep economic reforms.

That was the background to the resignation last week of Mr László Bekési, the liberal finance minister. He had argued that, with two-thirds of parliament and a four-year mandate, the government could take tough but unpopular measures early on in its term and benefit from a growing economy in the run-up to the next elections.

But it has proved difficult for former communist ministers with limited understanding of market mechanisms to countenance the radical cuts in spending demanded by Mr Bekési or agree to sell off the large state companies that some of them helped create. Their hesitancy reflects the ambivalence of the voters which returned them with 54 per cent of parliament.

That is the dilemma in both Poland and Hungary. And yet a double irony remains. In both countries democracy is working, by bringing back to power the old opponents of democracy. And in both economic reform is still under way, despite doubts and delays at the heart of government.

Supper is on the table and the phone rings. The caller asks for the previous occupant of the house who died two years ago.

He then proceeds to claim it is you he wants after all, for he is convinced you will be fascinated to learn that a "consultant" will be visiting your area next week to advise on replacement windows – or perhaps it is stone cladding, new kitchen units, or one of a host of other goods or services in which you have not the slightest interest.

If you live in some parts of the US, you may even find your meal interrupted by a randomly dialling computer and the sales spiel is a recorded message. This practice has such potential for jamming lines and other misuse that it is outlawed in many countries, including the UK, and in some US states.

The potential of the telesales call to annoy – in particular "cold" canvassing – is out of all proportion to the actual number of calls received by consumers. In the UK, for example, it is thought the average person receives no more than one call a month. Figures are hard to come by, but the tally could well be considerably higher in the US, where phone usage overall is about four times greater.

Once it was junk mail that was the focus of opprobrium; now it is more likely to be the phone that attracts the flak. Robert Leiderman, chairman of the UK's newly-formed Telephone Preference Service (TPS), which aims to weed out consumers who do not want to be called, highlights the power of the phone. "If it rings, it's answered. When was the last time you leapt out of the bath to open a piece of mail?" he asks.

Recognition of this power, its potential for abuse and the shadow cast on the direct marketing industry led to the launch last week of the UK's self-regulating TPS.

At a federal level in the US, there has been a tightening of rules under a new Telephone Consumer Protection Act. Within the European Union, Germany takes the toughest stance by outlawing most cold calling. Meanwhile, at a European Union level, at least three separate directives that touch on the subject are in the pipeline.

The UK's Direct Marketing Association-led TPS is very similar to a scheme that has been in place in the Netherlands for about six years. The UK body has the support of Ofcom, the telephone regulator,

A false ring to it

Diane Summers on efforts to control 'junk' telephone calls



charity fundraisers and the Glass and Glazing Federation, among others.

The scheme works, from the consumer point of view, as follows: domestic phone subscribers can phone BT or Mercury and ask for further information and a form to register the fact that they no longer wish to be cold-called by any company. The information takes about three months to circulate, at which point most calls should cease. The consumer cannot be selective and will continue to receive calls from companies which do not sign up for the voluntary scheme.

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canvassed. In return companies will get better-targeted prospects.

Such self-regulatory preference services could develop in other EU countries, and lists of consumers choosing to opt out could be exchanged between countries.

Indeed, one draft EU directive – the Integrated Services Digital Network directive – contains a requirement that member states have a preference service which includes telephone market research on top of the items already covered by the UK scheme.

Proposed EU legislation – the other relevant draft directives are those on data protection and distance selling – are not expected to become law in member states for, perhaps, three years. A European Commission green paper on commercial communications, meanwhile, is expected shortly.

EU experts are bound to keep an eye on developments in the US, where telephone marketers are getting to grips with laws which now require them to restrict the hours of calling to between 8am and 8pm and which tighten up the use of automated dialling. For example, phone lines must be released by automated systems no more than five seconds after a subscriber has hung up. There had been horror stories of people unable to dial emergency services because their phone lines were jammed by pre-recorded messages.

According to Greg Daugherty, an editor on the magazine Consumer Reports, the telephone sales call issue is still a huge irritant in the US. "In my own household, it's a rare evening that the phone doesn't ring with someone trying to sell something. People come home from work and have so few hours of personal life to begin with. To have someone calling you on the phone and trying to sell you something is all the more frustrating."

Connie Heale, a senior vice-president of the Direct Marketing Association in the US, points out that the US has its own preference service, which has drawn less than 1m consumers on to its books, indicating that many people, such as her, can find the cold call a valuable source of information.

"I only became involved with Mothers Against Drunk Driving because I received a phone call," she says.

For those who do not like their number to get cold, Consumer Reports has a handy tip: don't sit down to eat until after 8pm.

Individuality in a common currency

From Mr Graham J. Wilson.

Sir, A very important element in the ongoing struggle towards a common European currency is the sentimental attachment of each country to its own national nomenclature.

The British do not want to lose the pound, the French the franc, the Germans the D-Mark. So why fight it? Let the common European currency go by a different name in each country. The essentials are the exact monetary equivalence and the physical sameness, but not appearance, of coins and notes for automatic payment machines.

The reality will then be that the majority of Britons (Germans, French) will only see pounds (D-Marks, francs) in their pockets, until they go on holiday or travel on business.

There are plenty of precedents: Scottish bank notes and coins and the equivalence between Luxembourg and Belgian franc notes and coins.

A lot of technical problems remain, but perhaps we can take the emotion out of the discussions.

Graham J. Wilson,
32 Boulevard Grande Duchesse Charlotte,
L1331 Luxembourg

Originality lies elsewhere

From Mr Ali Abd al-Malik.

Sir, In the Observer column item "Davos deportment" (January 31), Israeli foreign minister Shimon Peres is credited with originality for voicing the similarity between opinion polls and perfume.

Whereas this choice still exists in most advanced countries, the UK may be left with a

choice of railway liveries and refreshment facilities on a few routes, and no option but driving along clogged roads for all other journeys.

John Purnell,

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Investment

(NO ADDITIVES)

February sees the launch of Investment Adviser, a brand new weekly newspaper exclusively for investment professionals. However, there's much you'll find familiar, such as the instinctive authority and insight of the Financial Times. You may also recognise the international scope of its journalism - something only a publication that draws upon the worldwide resources of the FT can provide. Not least, you'll find the investment tips and gossip that move markets. Which fund managers are investing where. Who's moving to whom. And for how much ("How much!"). It all adds up to Investment Adviser becoming the indispensable weekly, pure and simple. To ensure you are on the distribution list, fax your details to us on 0171 242 2439.

WORLD STOCK MARKETS

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WORLD STOCK MARKETS

AMERICA

Dow chases bonds higher on jobs data

Wall Street

An indication of a slowing economy and easing fears of another interest rate increase caused US share prices to surge in heavy trading yesterday morning as they chased an equally bullish Treasury market, writes Lisa Brammer in New York.

At 1pm the Dow Jones Industrial Average was up 51.81 at 3,922.58. The Standard & Poor's 500 climbed 5.82 at 473.11, and the American Stock Exchange composite rose 3.34 to 442.88. The Nasdaq composite gained 9.11 at 772.75. Volume on the NYSE was 255m shares.

Bonds soared after the Labour department said that unemployment in January had risen to 5.7 per cent from 5.4.

Among banking shares

per cent in December. Economists had expected the figure to hold steady at 5.4 per cent for the month.

In addition, only 134,000 new non-farming jobs were added last month, against expectations closer to 225,000.

The news sent the long bond up more than one and a quarter points in early afternoon trading to yield 7.524 per cent.

Banks and other interest-sensitive issues led the market as investors speculated that Wednesday's 50 basis point interest rate increase might be the last for a while. Morgan Stanley's index of cyclical shares was up 1.2 per cent.

Aluminum Company of America was up 2.3 per cent.

Yesterday the shares were off 2.1 per cent.

Quaker Oats rose 5.4 per cent after announcing that Delogel would buy its European pet foods operations.

NationsBank and Citicorp were two of the biggest winners, increasing their value by 4.3 per cent and 3.4 per cent respectively.

NationsBank was up 3.2 at 4.65% and Citicorp 4.1% at 4.62%.

Both Harley-Davidson and Dow posted modest gains although the former's results were better than expected and the latter had worse results.

Harley-Davidson was up 4% at 27.75 and Dow 3.4% at 27.74.

Times Mirror continued the slide begun on Thursday after the company warned that heavy investment this year might reduce first quarter net earnings by as much as \$40m.

Yesterday the shares were off 2.1 per cent.

Brambles, the real estate group, picked up 35 cents to C\$1.50 after its announcement on Thursday that a group of international investors had agreed to inject C\$300m into the company.

Canada

Toronto extended early gains at midday and the TSE 300 index picked up 3.7 to 4,068.80 in very heavy volume of 46.1m shares. Of the market's 14 sub indices, only gold and precious metals were weak, with Barrick Gold, Thursday's top gold performer, down C\$4 to C\$29.

Brambles, the real estate group, picked up 35 cents to C\$1.50 after its announcement on Thursday that a group of international investors had agreed to inject C\$300m into the company.

Mexico

The market was pulled down by a fall in Telmex, heavily weighted in the IPC index.

The index was down 9.96 at

1,983.92 in light volume of 6.3m shares. Telmex L shares were off nearly 2 per cent.

Brazil

Shares in São Paulo rose 1.6 per cent in light trade as investors awaited an address to the nation by the president, Mr Fernando Henrique Cardoso.

The Bovespa index was up 51.2 to 33,581 by 1pm in turnover of R\$12.26m (\$146.82m).

Mr Cardoso announced shortly after 1pm that he would veto a bill raising Brazil's minimum wage to R\$100 a month from R\$70, saying it would bankrupt the social security system.

Telbras preferred were up 2.1 per cent to R\$33.60.

• BUENOS AIRES was weaker with the Merval index off 6.44 or 1.4 per cent at 439.26.

Tel Aviv bourse going cheap, analysts declare

Julian Ozanne on Israeli equity recovery prospects

For a while last week, the Tel Aviv Stock Exchange looked like returning to the bullish days of 1990 and 1993. The market surged almost 12 per cent in frantic trading as investors, hampered by months of caution and pessimism, reacted euphorically to the government's decision to cancel an unpopular capital gains tax on share profits. On Tuesday trade was Shk250m, more than double the recent daily average.

But while the market remains cheap after a full year of declining prices, investors are still nervous about the political and economic uncertainty that looms over the economy and the bourse. Market analysts believe that if the government can hold the economy steady, a real recovery will only set in much later in the year.

News of the government's embarrassing U-turn over the tax sent the market soaring 5 per cent on Sunday and a further 8 per cent on Tuesday but investors quickly cooled off, reflecting continuing caution about the future.

The Mishkanet index of the top 100 blue chip companies closed for the weekend on Thursday at 163.14, a 11.8 per cent increase over Sunday's opening of 154.83.

Ambronvento had risen by 15.9 per cent over the previous two sessions on speculation that a takeover bid was about to be mounted.

MADRID ended its week with a surge in afternoon trade which took the general index up 3.76 to 288.45, up 2.1 per cent over five days. Electric utilities led the way with Fecsa up Pt22, or 4.4 per cent to Pt17.02.

Written and edited by William Cochrane, John Pitt and Michael Morgan

Zan, head of Bank Hapoalim securities department, says that most of the top 120 companies are trading at price/earnings ratios of 13 from financial statements adjusted for inflation. A more accurate guide, she says, is the ratio of market value to book value. At the beginning of last year the average ratio was 3.5 and now the average has declined to about 1.

A second factor is the discovery of Israel by foreign investors last year, and the prospects for a substantial expansion of foreign investment in the next two years. Barclays de Zoet Wedd raised \$153m for an Israeli fund, and several banks like Morgan Stanley, Schroders, Warburgs and Barings either took a position on the market or prepared to do so. Analysts estimate that foreign investors now hold assets worth Shk100m or about 2 per cent of market capitalisation of Shk8.5bn.

In March, Israel will be included in the Morgan Stanley Emerging Markets index with an expected weighting of 1.5 to 2 per cent. The index is used as a benchmark by fund managers, many of whom tailor their portfolios in direct proportion to the index.

Thirdly, in spite of inflationary pressures, the economy generally looks good. Growth of around 4.5 per cent is expected in 1995, and there are early signs that tight monetary policy may have begun to curb inflation, with the promise of a reduction in interest rates at least by the second quarter. The Bank of Israel's firm determination to combat inflation, despite intense political pressure from the government and manufacturers, has impressed domestic and foreign investors.

There has been a substantial shake out, a lot of the excesses have been wrung out and investors are confident in the continued rock solid policy of the central bank", says an Israeli analyst with a major foreign investment bank with investments on the TASE. "The market has a lot of potential in the next two years."

EUROPE

BASF passes Hoechst on earnings upgrade

US jobs data moved bonds higher in New York and in Europe, and equities followed suit, writes *Our Markets Staff*.

FRAUNFELD offered excitement, an apparent false alarm and another small disaster as the Dax index moved from an official close of 2,057.99, up 12.74, to a post-bourse gain of 38.48, or 1.9 per cent at 2,097.34, up 2.1 per cent on the week.

German stock market turnover was DM6.6bn. BASF was the outstanding feature of a strong chemicals sector, rising DM10.30 to DM330.50 and moving to a premium to Hoechst, DM4.40 better at DM326.50. Mr Charles K. Brown at Goldman Sachs said that he had revised his forecasts for the sector, taking BASF's prospective earnings, in particular, up from DM32 to DM34 for 1995.

PARIS was encouraged by hopes that the European monetary environment might get a boost from the latest US data. The CAC-40 index added 26.28 or 1.4 per cent to 1,842.43, a gain of 1.5 per cent on the week, in turnover of more than FF75m.

Meanwhile, the meat processor, Moksel, came back from suspension and dropped a savage DM45.50 to DM30 on the surprise losses it disclosed for 1994, and forecast for 1995.

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Financial stocks reversed Thursday's falls: AGF, the insurer, gained 4 per cent or FF16.70 to FF18.10, CCF and Paribas FF16.30 to FF18.24, having fallen 2.6 per cent on Thursday following disappoint-

ing 1994 results.

Alcatel Alsthom rose FF4.50 to FF165.50 as it reaffirmed a forecast made last November that it still expected to see a return to profitability in 1996.

AMSTERDAM was able to turn its attention away from the floods as water levels began to recede around the country. The AEX index put on 3.14 to 412.54, unchanged on the week. As elsewhere, stronger bonds and an improvement in the dollar lifted sentiment.

Unilever went against the trend, up 1.30 at F119.70 as worries about the performance of the afternoons US data. The Comit index eased 1.05 to 78.40, still 12 per cent higher on the week, but the real-time Mibet index finished 10.40 ahead at 108.61.

Ambronvento fell L7.1 to L5,016, but was up from a low of L4,770, after the chairman of San Paolo, one of the four partners in a shareholder

syndicate which controls the Milan-based bank, was quoted early to the day as saying that it wanted a greater say in the running of Ambronvento and was ready to raise its stake.

Ambronvento had risen by 15.9 per cent over the previous two sessions on speculation that a takeover bid was about to be mounted.

Atalanta, which controls the Milan-based bank, was quoted early to the day as saying that it wanted a greater say in the running of Ambronvento and was ready to raise its stake.

MANILA ended sharply higher on domestic and overseas support. The composite index rose 53.30 or 2.2 per cent to 2,510.98, up 4.4 per cent on the week.

SYDNEY eased in light selling with the All Ordinaries index closing at 8.8 at 1,947.74, for a week's decline of 0.8 per cent. Turnover was A\$434m.

Brokers said that the failure of the market to hold the 1,850 level raised the prospect that it might fall further in the short term.

WELLINGTON continued its rise with the NZX-40 capital index putting on 9.50 to 1,977.57, a week's improvement of 1.6 per cent.

BANGKOK was lifted by institutional buying, particularly in the finance sector. The SET index added 36.54 to 1,783.07, up 5 per cent on the week in turnover of Bt7.8bn.

The finance sector jumped 1.70 per cent as Finance One gained Bt11 to Bt130 and Mutual Fund Bt56 to Bt52.

SINGAPORE encountered late profit-taking that pared

some of its early gains which reflected further institutional buying of blue chips and popular issues.

The Straits Times Industrials index finished 9.51 higher at 1,110.24, but off the day's high of 1,121.95, and was 4.7 per cent higher over the week.

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ASIA PACIFIC

Nikkei slips as Kuala Lumpur rebounds 5%

Tokyo

Buying of construction related stocks subsided, and share prices lost ground on profit-taking, writes *Emiko Terazono* in Tokyo.

The Nikkei 225 issue index fell 55.33 to 18,538.97 after a low of 18,436.62 and a high of 18,645.92. Individuals who had previously supported the rally led by construction stocks refrained from trading, while corporate investors took profits on banks, brokers and real estate stocks.

Traders said that individual investors had become cautious amid increasing speculation that Fudo Construction, popularly linked to the "reconstruction of Kobe" theme, would be placed on the TSE's watch list of stocks heavily traded on margin.

The Osaka OSE average fell 11.05 to 23,370.62 in 85.1m shares. Some drug stocks were bought, with Oiso Pharmaceutical up Y1 to Y1,310. Penta-Ocean Construction losing Y10 at Y1,310.

Volume fell from 46.1m shares to 31.5m. The Topix index of all first section stocks fell 5.87 to 1,488.38 while the Nikkei 300 declined 0.81 to 265.92. Losers led gainers by

661 to 325, with 173 unchanged.

In London, the ISE/Nikkei 50 index rose 2.60 to 18,153.00.

Brokers lost ground, the sector falling 3 per cent on corporate selling. Daiwa Securities retreated Y30 to Y1,210 and Yamaichi Securities Y19 to Y669; in real estate, Mitsui Fudosan fell Y10 to Y1,100 and Mitsubishi Estate Y30 to Y1,050, and in banks and insurance Industrial Bank of Japan and Tokio Marine and Fire lost Y10 to Y2,630, and Y10 to Y1,070 respectively.

Electric utilities were higher on buying by overseas investors. Tokyo Electric Power rose Y80 to Y2,730 and Kansai Electric Power added Y50 to Y2,280.

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Major looks to close Tory party split over single EU currency

By Robert Poston and
 Michael Cassell in London

Mr John Major sought last night to bridge the divide between supporters and opponents of a single European currency in the UK Conservative party by saying that the government would in the coming week set out new conditions for Britain's membership of a unified currency.

However, a fresh offensive by pro-Europeans in the party is to be launched tomorrow when Mr Michael Heseltine, the trade and industry secretary, will argue in a Sunday newspaper that any suggestions the UK is not committed to the European Union undermines British prosperity.

The UK prime minister's speech last night was intended to reassure supporters of monetary union that sterling may join a unified currency if "economic

conditions were right". It also aimed to calm the fears of right-wing opponents of monetary union by erecting new hurdles to British participation.

Mr Major said Mr Kenneth Clarke, the chancellor of the exchequer, would spell out at a meeting of Conservative pro-Europeans on Thursday the appropriate economic conditions for UK participation. These will be in addition to the Maastricht criteria, which requires convergence of inflation rates, interest rates and public debt ratios for any EU country joining a single currency.

Mr Clarke is expected to echo comments made last week by Mr Eddie George, governor of the Bank of England, in saying other measures of the real economy's strength - the jobless rate in particular - should be taken into account before any decision to

join is made. However, in his speech last night to a dinner of the Thatcherite Conservative Way Forward group, Mr Major also reiterated that "We cannot accept that sterling would be part of a single currency in 1996 or 1997". Even if other European countries wanted to merge their currencies at that point, the UK "wouldn't be with them".

A Conservative party official said Mr Major's speech had been read in advance - and endorsed - by two of the cabinet's more pro-European members, Mr Clarke and Mr Douglas Hurd, foreign secretary. Mr Major is thus trying to play down suggestions that anti-Europeans in the cabinet are in the ascendancy.

In tomorrow's newspaper article, Mr Heseltine will respond to criticism from the Tory pro-European camp - articulated at the beginning of the week by former foreign secretary Lord Howe - that he has been failing to air his pro-EU views in public.

Mr Heseltine, who this week returned from a visit to Japan, said yesterday that uncertainty over Britain's relationship with the rest of Europe meant large inward investors such as the Japanese were starting to question whether Britain should be a preferred European location.

Mr Heseltine said that more than one-third of all Japanese investment made in the EU was coming to Britain but that the country found itself in a "battle-ground" in the fight to retain its share of new inward investment within the community.

He said there was a danger Britain could appear increasingly detached and during his Japan visit he had repeatedly emphasised Britain's commitment to the community.

US poised to impose trade curbs

Continued from Page 1

which estimate that Chinese piracy cost them \$1bn in lost revenue last year.

The Chinese products threatened with sanctions will be drawn from a list of exports with an annual value of \$2.8bn of exports published by Mr Kantor on December 30. The list included electronics, footwear, toys and other products. Today's decision will seek to identify products on which sanctions would create the least damage to US industry.

Electronics items could be the prime target if the US decides to go after China's newer industries. Trade officials are searching for those products which would least damage US industries.

China has threatened to counter-retaliate against US cigarettes, alcohol and music.

Mr Kenneth DeWeckin, a professor with the University of Michigan School of Business, said the first two products are most smuggled into China in any case.

People of Ulster will not be forced from Union, PM vows

By David Owen and John Murray Brown in London

The people of Ulster will not be forced out of the Union against their will, Mr John Major, the UK prime minister, told a London audience of Conservative right-wingers last night.

Stepping up his efforts to reassure unionists over the direction of the Northern Ireland peace protest, Mr Major gave a speech to the Thatcherite Conservative Way Forward group to reiterate that he would not be a "pioneer for a united Ireland".

There would be "no joint sovereignty, no joint authority between London and Dublin".

He said that in preparing a framework document setting out UK-Irish proposals for an overall settlement, the two governments were merely "proposing ideas". There was no "prescription" that was going to be imposed, he said.

Mr Major made no attempt, however, to explain the extent to which a proposed north-south body for handling relations

between the province and the Irish republic would have executive powers.

That is the issue that has most concerned Unionists since excerpts from a draft of the document were leaked to The Times newspaper this week.

The seriousness of unionist reservations about the leaked proposals was indicated yesterday by Mr James Molyneaux, the Ulster Unionist leader, who described them as "monstrous arrangements".

Writing in the Belfast Newsletter, he argued that the framework document had been "devastated" and warned that any proposals emerging under the title "framework document" would "immediately and inevitably be rejected".

In Dublin, Mr John Bruton, the Irish prime minister, made his own attempt to allay unionist fears, making a "solemn" undertaking that "no government of which I am a part will seek to dilute the unionist tradition".

But his promise came amid

conflicting signals over how the Irish government will react to the unionist protests.

His remarks coincided with the release by Dublin of another five IRA prisoners, a move immediately attacked by unionist politicians as insensitive but broadly welcomed by the Irish Republic's political parties.

Meanwhile, with signs that negotiations on the framework document are still stalled over the issue of constitutional change, the republic's main opposition party, Fianna Fail, raised the stakes. Mr Bertie Ahern, its leader, warned that reform of Article Two of the Irish constitution - which lays claim to Northern Ireland - was a "non-starter, and the British know it".

Mr Major offered additional assurances about the two governments' proposals, saying the north-south body would not "make policy" towards the European Union.

Path blocked, Page 4
 Decisive push, Page 8

US jobs data lift market

Continued from Page 1

construction both posted solid gains.

Analysts said last month's jobless rate was probably a better guide to the underlying rate than December's 5.4 per cent, which may have been an aberration. The jobless rate averaged 5.6 per cent in the final quarter of last year.

The data follow other scattered signs of slower economic growth, such as flat retail sales and anecdotal reports of weakness in the housing industry, and fuelled speculation that the Fed may wait a while before raising rates again.

However, the UK stock market's strength did not extend to either gilt or sterling, because of political worries including concern that over the state of the Anglo-Irish peace process might undermine the government.

Dalgety spends £442m

Continued from Page 1

lag behind the Pedigree and Whiskas brands of Mars which command 45 per cent.

Nestle of Switzerland, with only a 6 per cent share, was thought also to have bid for the business.

"They have done very well to get it from under the nose of Nestle and at a good price," Mr David Lang, an analyst with Henderson Crosthwaite, said.

Dalgety shares closed up 23p at 419p.

With Europeans spending twice as much on prepared pet food as baby food, the volume sold is growing at 3.5 per cent a year.

FT WEATHER GUIDE



Weekend FT

Picture thieves get it wrong when they start thinking big, explains Antony Thorncroft

The fine art of stealing an old painting

The James Bond movies have much to answer for. They invariably contained a scene in which the arch villain was portrayed in all his depravity: glamorous acolytes; super smart hardware - and home furnishings in which some recently stolen masterpiece, usually Goya's portrait of the Duke of Wellington, was prominently displayed.

The myth of the mad megalomaniac millionaire, who acquired works of art for his private delectation, was given another airing.

Such men, or women, might exist - they would hardly publicise the fact if they did - but they are almost certainly figments of over-heated imaginations. The experts in the field of stolen art - Scotland Yard's Art and Antiques Squad, the insurance companies, and the directors of organisations such as the magazine *Trace* and the computer-based Art Loss Register, the leading bloodhounds in the art retrieval business - have never tracked down a secret collector.

The background to serious art thefts, such as the burglary at Longleat, the home of the Marquess of Bath, on January 6, which netted a Titian, valued at £5m, plus two minor pictures, is usually more banal. Professional thieves and minor villains, dazzled by stories of the value of works of art and aware of the poor security in many country houses, chance their arm. They soon realise that stealing antiques is much easier than converting them into cash.

Most display more acumen than the man who lifted an Old Master painting by Petrus Christus from the walls of Bir-

mingham Art Gallery and attempted to sell it - on a bus - for £200. But not much more. A portrait of Rembrandt's mother, stolen last year from Wilton House, had recently been re-assigned by the Dutch specialists working their way through the Master's oeuvre, as in the hand of a studio assistant, totally undermining its worth.

Such incompetence is global. The gang that removed, in 50 seconds, one of Norway's greatest icons, Edward Munch's painting "The Scream", from Oslo's National Gallery last year, were captured when they tried to sell it to Scotland Yard's Art and Antiques Squad, who effortlessly masqueraded as unscrupulous dealers.

The 20 paintings taken from the Van Gogh museum in the Netherlands were recovered the same day - in the museum car park. The thieves had apparently panicked on hearing a passing police siren.

In another celebrated case, thieves who took paintings by Rubens, Gainsborough, Vermeer, and others, from the Beit collection in Ireland, had such problems disposing of these priceless works that they offered them back to the Irish government for £25,000. When the offer was turned down they fell out among themselves and scattered with the paintings, most of which were recovered - in Turkey, Belgium, Ireland and the UK.

The more important the antique stolen, the more likely it is to be recovered. Celebrated works of art are virtually impossible to dispose of, and the police, and the insurance companies, make a much greater effort to find them. The Titian totally unsaleable and the UK.

The more important the antique stolen, the more likely it is to be recovered. Celebrated works of art are virtually impossible to dispose of,

is probably causing its new owners a few problems already.

There has been no ransom demand, which would have been turned down anyway; no attempt to use the painting to attract publicity for a cause, like animal rights or the Bosnian Moslems. If a Dr No figure did exist, in the jungles of South America or in Japan, it is most unlikely that his taste would run to a small biblical scene by a 16th century Italian artist. Unfortunately the world's super rich, especially the Arabs and the Chinese, have limited interest in the contents of British stately homes. The thieves' attention is likely to be concentrated on the £100,000 offered by Tyler's, the loss adjustors, for information leading to the painting's return. The snag here is that, in law, the money is only handed over when a felon is prosecuted.

There are cases of a minor member of a gang being sacrificed, and enduring a few months in jail, in return for

share of the spoils. Usually the reward is 10 per cent of the value of the art stolen, but in this case, stung by a string of such thefts in the last year or so, the insurance company has reduced the size of the reward.

There is a stand-off, with the authorities hoping for an underworld tip off, and the burglars wondering whether they can fix a behind-the-scenes no-questions-asked deal, which sometimes happens abroad, hardly ever in the UK.

The Titian is exceptional. Most thefts of art and antiques, estimated to total £1.5bn in value in the UK in 1993, and on the increase, are of small, cheap, portable objects - pictures, jewellery, silver, ceramics - which can be quickly transported.

In some cases, the thieves wait for a few months and then pop the goods into a provincial auction. Often they pass them on, at perhaps a tenth of their

value, to a dealer. It is generally agreed that there are antique dealers who, behind a respectable front, handle stolen goods, often for dispatch to the continent.

There are also a few avid collectors who do not probe too deeply into provenance if they are offered a particularly desirable object which, over time, could become resalable.

Unlike the thieves, the handler knows the vagaries of the market and will tell his suppliers what to go for. A few years ago, there was a spate of thefts of Chinese snuff bottles, including some 18th century Imperial enamel bottles taken from Burleigh House. They were obviously stolen to order and apparently destined for an auction in Hong Kong. In the event, too many were released on the market and prices at the sale were disappointing.

Dealers trade in stolen goods because it is so easy. There is minimal contact between regional police forces about burglaries: antiques stolen in Yorkshire can be sold in

Brighton, the traditional haunt of some of the rogues in the business, the same day, and be abroad that night. It would cost little to link the police forces by a computer system capable of transmitting images of stolen goods but the Home Office, and the police, seem reluctant to make the investment. The Art and Antiques Squad relies on the Art Loss Register to identify recovered antiques, and the magazine *Trace* to alert the trade to what has been stolen.

If there is only spasmodic co-operation between police forces in the UK, the situation is much worse between nations. It can take years for information about burglaries on the continent to reach the UK. The first tentative steps are now being taken to create one global law on stolen goods, which will enable the owners to repatriate their property while the unwitting buyers can seek compensation from the auction houses or dealers that handled the sale. The new law is in draft form, and more than 50 nations will gather in Rome this June to pursue an agreement. Few expect effective action before the end of the year.

The other great ally of thieves in the UK is the legal

Continued on Page II



Joe Rogaly

Point a vote at their heads

John Major could call Ulster hardmen's bluff with a double referendum

an honourable political agreement within the union.

The uncompromising Ulstermen are doing their best to prevent it. On Wednesday and Thursday intransigent phrases about Britain's supposed intentions spat from the lips of Ian Paisley, head of the Democratic Unionists, and John Taylor, a potential candidate for the leadership of the Ulster Unionist party. Another contender for the latter post, the supposedly rational David Trimble, peddled an unrelenting negativity. Even James Molyneaux, the elder statesman whose retirement as leader of the UUP would make way for one of the pretenders around him, stopped short, but not very short, of openly wrecking John Major's attempt to construct a negotiated settlement.

We know why none of this is accepted by Ulster's traditional unionist politicians. They see power slipping through their fingers. In the long run they will lose their force. The Protestant ascendancy is over. It is only when that fact is accepted by the erstwhile masters of the six counties that we can be certain that 25 years of terrorist murder will be followed by a lasting peace.

There can be no military victory, not by the gunmen of either persuasion, nor by the British army, but in spite of this week's attempted sabotage by "friends" of Ulster there is still a slim chance of

presented, of a draft of the "framework agreement" being discussed by the British and Irish governments. We should wait for the full, final, published document before commenting on it, said the leader of Sinn Fein, exuding an air of unruffled calm.

Over the next few weeks, polling and anecdotal evidence will indicate how the public is reacting to these contrasting

One effect of this outpouring of venom is that Gerry Adams was made to look reasonable

performances. For a quarter of a century Britain has stoically accepted daily news of violent outrages on the mainland as well as in the north of Ireland. At no time during that period has the electorate shown the slightest inclination to cede one millimetre of the case for imposing a united Ireland on an unwilling Ulster. "Troops out" had a small number of passionate supporters, but it never really caught on.

That may be why the IRA has, at least for the moment, conceded that terrorism does not work. Against that, some

accommodation between Protestants and Catholics must be agreed. It should give nationalists a sporting chance, in open debate over, say, the next 25 years. If they do well they may win a fresh generation of Unionists over to a new vision of Ireland. If not, this is seen by mainland Britons as simple common sense. Those who deny it do not win popular approval.

The Labour party is aware of this. It has promised full co-operation with Mr Major. The House of Commons is overwhelmingly in favour of the prime minister's stance. Messrs Paisley, Taylor, Trimble & Co should take note. The public is capable of getting fed up. Unionist parties that made even the most reasonable deal impossible would not be missed if their troublesome province ceased to be part of the body politic.

If this week's rowdy rejection of any framework agreement persists, Mr Major might have to call the unionists bluff. One way of doing this would be to hold an immediate referendum on the simple question: "Do you support the government's efforts to find a settlement that will lead to lasting peace?"

Assuming a yes vote, the result would be strong popular pressure on the unionist parties to negotiate. The prime minister need not fear that

withdrawal of support for his government in the commons would risk the return of a Labour government with a majority large enough to render a handful of unionist MPs irrelevant to parliamentary arithmetic.

A pre-referendum would follow naturally from Mr Major's broadcast on Wednesday night. He appealed directly to the Ulster people, over the heads of their politicians. Northern Ireland's delight at the experience of peace over the past five months is palpable. The feeling of relief, tinged with joy, could oblige unionist politicians to sit down and talk serious politics. A second referendum would decide the fate of any agreement between the parties.

This two-referendum strategy would be risky. In an open democracy it is not possible to guarantee the outcome of any plebiscite, but the chance may have to be taken.

The device served its purpose in equivalent circumstances in South Africa in 1992. The then president F. W. de Klerk called a "trust us" poll of white voters. He won a 69 per cent yes on an 85 per cent turnout. This headed off the white opposition to his plans to end apartheid and negotiate a deal with the African National Congress. It is a tempting parallel.

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INSTRUMENTS
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NEXT WEEK
Dresden: the survivors who came through the fire

BREITLING

1884



CHRONOMAT

PERSPECTIVES

My dear, this may come as a shock

David Fishlock explains his fascination for eccentric electrical remedies

Black Box was the term coined at the Air Ministry in the 1930s for inventions claimed to generate rays that would kill. The inventors usually claimed to kill rabbits but were sure their designs could be scaled up to shoot down aircraft. Invariably they wanted a lot of cash to let anyone look inside.

Air Ministry officials offered £1,000 to any owner of a Black Box that could demonstrate the killing of a sheep at a range of 100 yards, the secret to remain with the owner," recounts A.R. Rowe in *The Story of Radar*. "The mortality rate of sheep was not affected by this offer," he adds dryly.

By the 1930s, however, Black Boxes were already well known in medicine as cures. The discovery of X-rays - the centenary is being celebrated this year - did much to bolster the claims of those selling "electro-therapies".

This association of electricity with medicine has been a long one. In the 16th century William Gilbert, a Cambridge mathematician who later read medicine, was demonstrating experiments in magnetism and electrostatic electricity long before the scientist Michael Faraday showed how they related.

The invention which was to spark my own life-long interest in the subject was made a little earlier, in 1892 and was called the Wimshurst machine. It generated static electricity.

My introduction was at age 12 when "Doughy" Baker, my senior chemistry teacher, had my class link hands and closed the circle through the brass knobs of the machine. Baker turned the handle. The class fell apart squealing.

By the end of the 19th century electrical engineers had invented a host of more convenient ways of generating electricity of various kinds: electro-static, DC, low-frequency AC, high-frequency AC. And X-rays too. Each was ascribed marvelous medical attributes.

I have collected a couple of dozen of these turn-of-the-century inventions, at auctions, antique fairs and car boot sales, including a simple hand-wound magneto in a polished mahogany case, beautifully made by F. McElroy, electrician of Manchester. Instructions inside the lid claim that, when wound at the speed "most agreeable to the patient", it is good for no fewer than 50 ailments, from weak eyes to spinal and nervous diseases, debility, want of power, fits, paralysis and gout.

The magneto ushered in the era of the medical Black Box. Magnets

were far more convenient than the temperamental electrostatic generators such as Wimshurst's machine. Early catalogues of electro-technology contain numerous examples of such magnetics, including the Zodiac, a hand-held device in which a corrugated roller runs gently over the skin turns the generator to "Paradise" the region being rolled. A modern version of this uses an electronic circuit instead of a magnet to subdue chronic pain.

GEC's 1933 catalogue of Electro Medical Supplies runs to 23 pages and illustrates nine magnetics in wooden boxes. One of them was named the Eros.

I have had one sobering experience with a magneto. I had taken it to the village green, where youngsters were happily queuing for the quick thrill of a shock while I

During a party I gave a boy of about five his first tingle - and he ran screaming to mum. The womenfolk gave me a hard time

churned the handle to produce perhaps 50V. But one lad shrieked and, instead of dropping the electrodes, seemed to be gripping them tighter.

I stopped turning, but inertia kept the magneto revolving for a few moments. Then the lad was released and began to cry.

His chums showed scant sympathy, however. Then, to my relief, the lad was back at the head of the queue - bragging how he had held on longer than his companions.

For some, this mild flow of current is addictive. During a party I gave a boy of about five his first tingle - and he ran screaming to mum. The womenfolk gave me a hard time - until one noticed that young James was back at the magneto, trying to treat himself.

I know a woman, whom, at parties, could be persuaded to remove her shoes and dance in stockings

on moist foam-plastic cloths, beneath which electrodes were coupled to a magneto. While others marvelled at what they saw as her bravery, she was clearly enjoying the millamps trickling into her toes.

Another apparatus used in electro-therapeutics is the induction coil: a kind of transformer devel-



A ticklish hobby: items from David Fishlock's collection of advertisements and machines associating electricity and medicine

oped by physician Heinrich Daniel Ruhmkorff around 1860. It uses a make-and-break contact to turn a DC input into an AC that can then be transformed to high voltage. Some were intended to provide high-voltage sparks for early X-ray equipment.

Then there is the voluptuously advertised electric corset. For 5s/6d (27½p) it claimed to prevent chills and exercise a beneficial influence

on the respiratory and other organs.

At the turn of the century one could buy a hydro-electric bath. Baths of wood or porcelain, fitted with electrodes, were energised by an induction coil. Customers were offered both "full-body" and part immersion. Sometimes medicine was added to the bathwater in the belief that electricity would pump it through the skin: a process known as cataphoresis.

A problem with this, according to one company, Santitas, in its 1908 catalogue, was that a localised arrangement meant the current largely failed to enter the body. It also suggested that many patients might find it objectionable to be naked - "especially those suffering from a weak heart."

Santitas had the answer: the electric-cell bath of Dr Adolf Schnee of Vienna, invented in 1902. This apparatus was claimed to avoid all the drawbacks of other appliances because "it corresponds exactly with all the electro-physical laws..." It required the patient to bare only the limbs, each of which was immersed in its own porcelain vessel.

A new kind of transformer made its appearance in 1891 when Nikola Tesla, the Croatian-born American engineer, invented his high-fre-

quency transformer, or Tesla coil. It consists of two coils in tune - with the same resonant frequency - and coupled because the coils are concentric. Voltages of tens, even hundreds of kilovolts can be generated this way.

By 1933 Tesla was demonstrating physiological effects; and also the possibility of using his coil for bloodless surgery, nowadays known as electro-cautery, for which he had apparatus dating from the 1920s.

His overriding objective was to develop ever more powerful versions of the coil, generating millions of volts. It was left to others to seize on the intrinsic harmlessness of the output of a small Tesla coil, because the high frequency causes current to track across, rather than into, the skin.

GEC, introducing its first electro-medical Tesla coil in 1902, claimed it was already being used "in several leading London hospitals for the treatment of lupus and other skin diseases".

Interestingly, there is something of a revival today in electro-therapeutics with modern versions of some of these turn-of-the-century inventions. Micro-electronics can greatly increase the convenience factor so that they can now be carried or worn when needed, as in the control of pain.

By the 1920s an apparatus known as Roger's Vitalator was widely used to treat various ailments. According to W.A. Jackson, a pharmaceutical historian: "A frequency of 100,000 times a second allowed the use of much higher voltages without injury." Treatment was "painless but visually and audibly impressive, he says.

I came across my first Vitalator in 1983, complete with a set of four glass-tube electrodes that glowed blue and seem to be tailored to apply their emissions to parts of the body the sun rarely reaches.

The National Radiological Protection Board told me it had failed to detect any ultraviolet radiation from the electrodes. But it warned of a different hazard, from what it concluded was a "fairly crude Tesla coil circuit".

The tuned coils are in the Bakelite holder in which the glass electrodes are inserted. I had no further qualms about exciting children with sparks from the electrodes leaping to nose or ear lobe, although mothers remained wary of offers to touch their sun tans.

During the 1920s and 1930s simple versions of these high-frequency transformers were commonplace in barbers' shops. According to W.A. Jackson, Roger's Vitalator was recommended for 127 conditions, including sexual debility, impotence, and the development of the female breast.

I do not know whether the 127 conditions includes constipation. But Tesla was a chum of the author, Mark Twain, whom he invited to visit his New York laboratory for a demonstration of Tesla coil effects. Twain was subjected to an experiment which caused him to vibrate rapidly. He was warned not to hang on too long but Twain was enjoying the experience until he found himself in urgent need of the lavatory.

It seems Tesla was well aware of the experiment's laxative effect.

The Nature of Things

Food for the brain

Andrew Derrington on whether diet can affect intelligence



you. Similarly, a child whose family is convinced that he or she will develop well is bound to do better than one whose family has low expectations.

Consequently, in order to show whether a smart drug or dietary supplement has any real effect, a group of people taking it must be compared with an identical group taking a substance known to have no effect, a placebo.

The recipients of the drug may even respond to the expectations of those administering it, so the people participating in the trial, nor those running it, should know who is taking the placebo and who is taking the substance under test. The tests of intelligence or memory must be carried out both before and after taking the drug.

Double-blind trials are a lot of trouble, but they are the acid test of the effectiveness of a drug or dietary supplement.

Most of the smart drugs and dietary supplements sold by the Hap Caps team have never been rigorously tested in normal humans. A report published by the Consumers Association failed to find any

justification for claims that smart drugs improve the intelligence or memory in normal healthy people. Some smart drugs improve memory in rats when injected, some of them directly into the brain. The likelihood that similar effects will be found in humans taking the drug in tablet form is remote. Some products available by mail-order are prescription-only drugs used to treat conditions such as dementia, and known to have potentially severe side-effects.

Side-effects are also a huge potential problem for the nutritional treatments for Down's syndrome. According to Anna Khan, director of the Down's Syndrome Association, "high dosages of vitamins and minerals... can cause liver damage. The association is also concerned that parents of children with Down's syndrome are vulnerable to possible exploitation by those professing to have discovered a treatment or therapy that can dramatically improve the intelligence of their child."

One such treatment, based on a dietary supplement called "Hap Caps" has been in the public eye. According to Khan, dietary treatments for Down's Syndrome crop up every few years, but their effectiveness has never been tested in double-blind clinical trials. A report last year in *Smart Drug News* said that the team that developed Hap Caps could not carry out a trial using a placebo because they are completely convinced that the treatment is beneficial and consider it unethical to withhold treatment from the group taking the placebo.

Until double-blind trials are carried out, the convictions of the Hap Caps team should be given no more weight than those of Bertie Wooster.

The author is professor of psychology at the University of Nottingham.



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TRAVEL

The springs from which the Czechs flow

Leslie Gardiner follows the Vltava from its source to Prague

A journalist from Prague climbed to the source of the Vltava and jammed a cork into the stone pot from which it bubbled.

Then he returned to the capital, expecting to find the river dried out, the water-skiers and rowing eights stranded on mudbanks and the fish gasping under the weirs. But everything was going on as usual.

Smetana's programme notes for *Vltava* in the poem-cycle *Má Vlast* (My Homeland) says the river springs from two sources, "one hot, one cold... splashing gaily over rocks". I cannot confirm it because the sergeant at the checkpoint on the Salzburg road, where the Bohemian and Bavarian wolds rise to each other like green seas clashing, is too busy watching the Czech Republic play Ireland on television to point the way or issue a permit.

I pick up the Vltava, unmistakably a river, near Volary. You could be near the headwaters of the Tweed or the Dee: pine and moorland, marsh flowers blooming, wild bees busy, pale cattle staring at the sight of a man on foot. Take your eyes momentarily off the river and it turns into a lake the size of Windermere, an artificial novelty that Smetana never knew. The Lipno ferryboat (strange to hear the growl of her deep-sea siren about as far as you can be in Europe from salt water) takes you across 20-odd miles of the drowned valley. My fascination with the scenery amuses the ticket-collector.

You like this life? Change your job for mine, how about that? All day forwards and backwards. Trunk, trunk, trunk, dring dring.

He hails from Prague. What is it like in Prague these days?

"Prague is OK. Prague is not Moscow, you know."

Below the dam, Smetana's programme notes are again the guide: "See now the rapids of St John, on whose foaming rocks the waves are dashed in spray."

Rapids of St John, Devil's Rapids, Devil's Ravine, Devil's Wall, Devil's Pulpit - in the gorges, where they are laying down markers for the Czech canoe slalom championships, the Vltava gets rebelliousness out

of its system. Swiftly and smoothly it embraces its first sizeable town, Cesky Krumlov. When an ambitious restoration programme is completed, maybe five years from now, Cesky Krumlov's cluster of spires, cupolas and pointed roofs will be a showplace of the Republic. Just now, along the river bank, it is something like a building yard and the southerly breeze sends paper-mill fumes far down the valley.

The river is now heading north along the Golden Road, an interstate highway of the Middle Ages.

These four hussies won't wear the regional costume. With candid gestures, Katinka indicates how the bodice inhibits breathing

Traffic is heavy and BMWs and Audis show the pedestrian no mercy. I wander off with the Vltava on footpaths and farm tracks to the outskirts of Ceske' Budjovice, another place you can smell from a long way off.

"Budjovice" in translation becomes "Budweiser", synonymous with beer in many lands. I forgot how many litres they export from this second city of the Republic, at the state brewery museum they did tell me. I see it at the lager lout's spiritual metropolis but, as so often happens, preconceptions have no basis in reality.

Ceske' Budjovice only smells like Burton-on-Trent. The historic centre resembles an outpost of the old Venetian domains and its baroque flamboyance culminates in a broad, flagged, arched piazza, an overflowing basket of flowers. From the huge central fountain (Samson strangling the lion), they assure us, both population and breweries drew their Vltava water. Under the tracery of the surrounding arcades little

cafes are lurking, tailor-made for the romantic tête-à-tête.

Downstream, the Vltava enters small, originally attached to the estates of monasteries and princes of the church, are still inhabited by the descendants of the carp which were bred for the table 500 years ago. In these reaches, Smetana's river-music grows lively and challenging.

"Country dances are seen and, on nearby rocks, proud castles rear up, wide mansions and ruins." The proud castles have become trades union holiday homes, eventide homes or tourist attractions, or have fallen into disrepair. The most-visited, a few miles north of Ceske' Budjovice is Hluboka, locally known as Windischgrätz, a castellated country house and riding school in Tudor style.

As to country dances, you see them in June at Pisek when they celebrate the misadventures of the local celebrity, the Good Soldier Schweik.

Pisek means "sand". Its river - not the Vltava but a tributary, the Otava - sweeps among sandbanks where hopefuls pan for gold under a seven-arched bridge loaded with statuary, like the Charles Bridge in Prague. I detour to Pisek to say hello to a former Minister of Tourism, who had a bungalow there, but am told he has gone away. "Gone to Prague?" "Gone to foreign parts."

My Pisek landlady has four strapping daughters with swinging blonde plait, as seen in folk operas. The girls' names - Marekka, Malinka, Vendulka, Katinka - come straight out of *Schwanke* or *The Bartered Bride*. "Do your daughters wear the regional costume?" "No," says mamma, they refuse to, they say they are too tight, they can't breathe in them, let alone dance. The tourist authority offers girls good money to wear the regional costume, but these four hussies won't have it. With candid gestures, Katinka indicates how the bodice inhibits breathing.

"Again, the stream broadens towards Prague, where it is welcomed by the old and venerable Vysehrad," writes Smetana. A breadth he never dreamt of has

been permitted the Vltava for its last 30-odd miles to Prague. In the mile-wide channels of Slapy, a long serpentine lake, dingshies and public transport boats pass and repass, water-skiers execute tight turns, every sandy spit has its fish restaurant, every bankside glade its camping park.

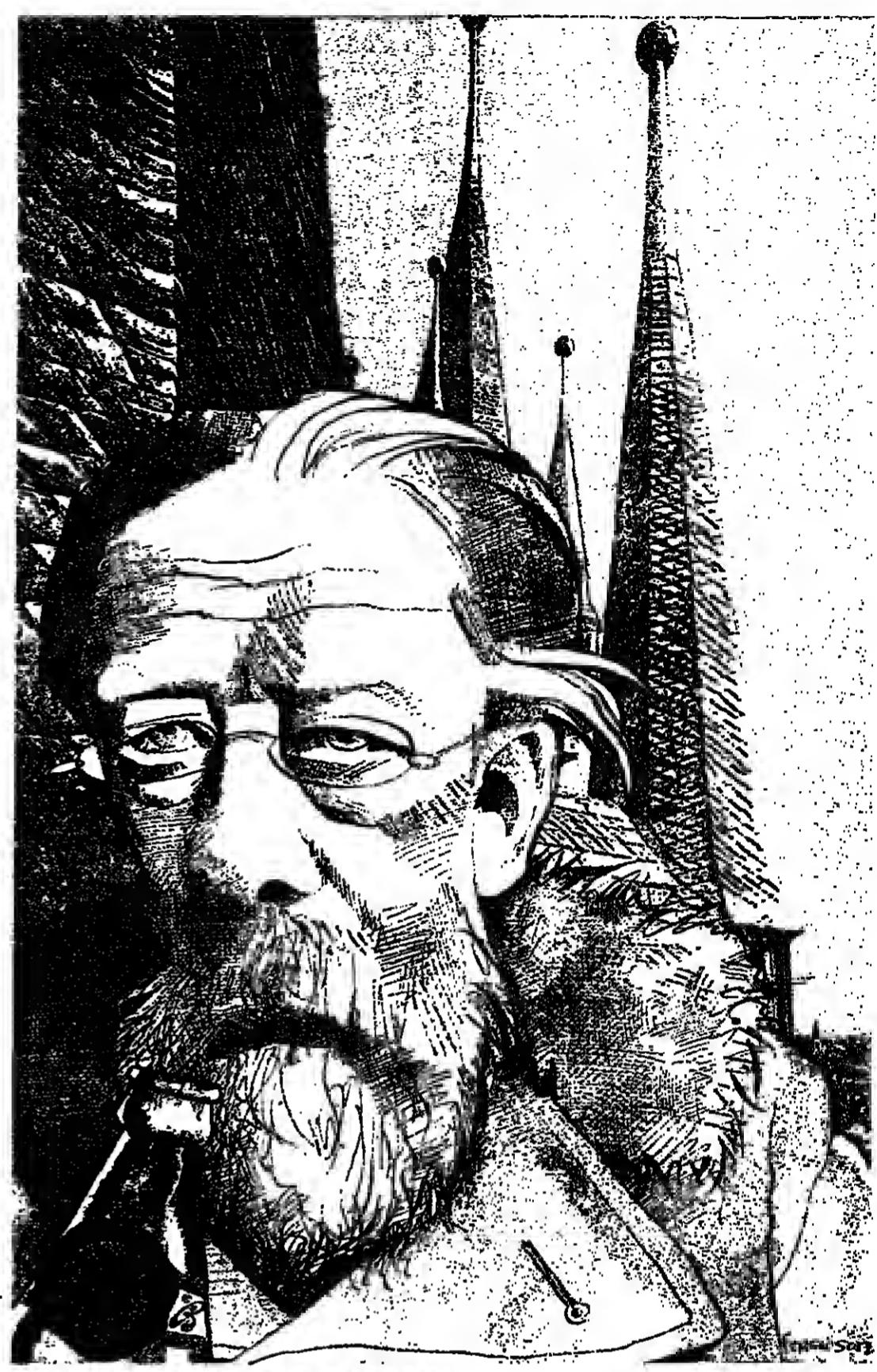
The current hardly stirs the pink-and-white buoys. That strong turbulent river has come to a standstill to make a playground for Prague, high above Prague, eventually descending on Prague in a chain of locks and weirs, the famous Vltava cascades.

Through the old rusty city of the Bohemian kings, over tinkling weirs and under greystone bridges, its rocky terraces lined with knights in stone armour and anglers bent in pessimistic attitudes, the Vltava becomes a commemorative avenue for the composer. At Charles Bridge is Smetanovo Národní or Smetana Quay. On the left bank stands the Czech National Theatre, where in 1874 revolutionary Young Czechs heard *Má Vlast* and adopted it for their anthem.

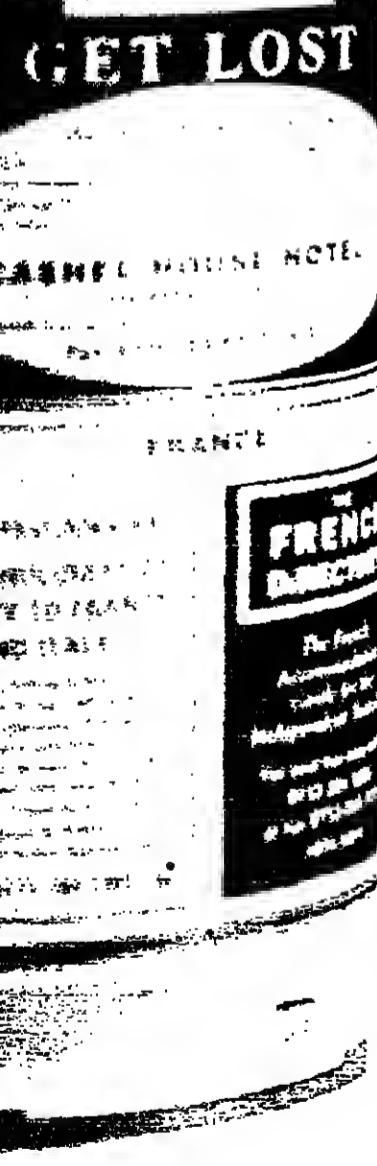
Nearly opposite is the Smetana Museum. If the German-speaking curator has time on his hands he will talk of the composer: how, at a sawmill in Herschenstein, "where two streams met" he dreamt of a poem-cycle called *Má Vlast*; how he fought the onset of madness; how he ended up in the city lunatic asylum, writing endless letters to Beethoven, Mozart and himself; how on a dreary day in 1884 his funeral cortège entered the Vysehrad cemetery, followed by half the population of Prague in a cloud of smoking torches; how the National Theatre's facade was hung with black crepe.

The river too has a dismal end. Where it emerges from Prague, a walker cannot get near it for the factory buildings on its banks. Before long the Vltava enters the Elbe. It crosses into Germany and meets the sea in Hamburg's dockland.

"We used to swim in this river," an old longshoreman tells me. "Now, if you fall in, they send for the stomach pump."



Going with the flow: Smetana, Budweiser and the Prague skyline



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OUTDOORS

Gardening / Robin Lane Fox

After the deluge . . .

Once again, we have been rained off in mid-winter. Last year, the deluge rotated my wallflowers; it decimated the young lavender cuttings; and it sent the old pink pinks back to the old world from which they had come.

It left a bog in the third square of four which were supposed to be new bits of vegetable garden; it sent the Italian alders into overdrive; it put me seriously behind the calendar; and left me reading old encyclopedias on land drains in early March.

If you are left with a swamp, be reassured that the land-drains work. The third square grew worthwhile broccoli and the drains now move the overflow further down the slope.

Once again this year I have a big, wet bed, waiting to be planted with something imaginative. You may be in the same situation.

In 1901, the great Miss Jekyll turned her pen to the topic of water gardens. She showed her usual optimism: "Where there is a stream or water in the outskirts of a garden, there will be a happy prospect of delightful ways of arranging and enjoying the beautiful plants that love wet place."

She slightly weakened her case by printing the story of a recent water garden by the late Mr Tipping, a noted landscape gardener in Monmouthshire.

Tipping evidently began with happy prospects and expectations of delight. On the edges of the stream, he laid out the sort of planting which books still suggest. After heavy rains, most of the plants were "swept away downstream to the sea".

A dry summer followed and put paid to the rest.

He then recruited a large labour force and, to judge from the photographs, contrived an imitation of a mountain by the "placing of barrier rocks" and the "introduction of realistic blinds". I cannot afford a bluff and Mr Tipping found that "it is not easy to get the ordinary labourer to understand natural forms".

Except in coastal gardens, I have seldom seen a successful bog garden or well-planted wet patch. After last year, we all know the problem. They may be wet now, but before you can say marsh marigold, they will dry out. What can we do with these opposed conditions, the most difficult legacy of all?

Mr Tipping found part of his answer in something which I hate. "The whole race of Astilbes flourishes amazingly and reproduces itself by seed." Unfortunately, they still flourish and popular books will tell you to plant Astilbes, feathery flowers which rank low in my personal Heather League. They come in even more beastly colours than garden heathers and have those dreary, plum-shaped flowers. Try groups of

Gardens may be wet now, but before you can say marsh marigold, they will dry out

primulas in the early season among the hostas, but they are a complete waste of time and money if your damp patch dries out in summer.

The rounded flowers of the lemon-yellow forms of Trollius are not much better, because they also disappear when the summer swings round. I have had much more luck with the arching stems of flower on Venus's Fishing Rod, or Dicentra, with its exquisite flowers of rose or white in August.

In Ireland or the west country, Dicentras are exceptional, but I find they persist if they start in a wet place and are turned over to dry conditions

in summer. They have flourished in the past two years and can be raised easily and cheaply from seed sown now.

Their fading is their undoing, however, when the long stems of flowers begin to arch forwards. Dicentras are front-lying plants, and height is more of a problem. I have learnt to trim the tall, Iris-like rosettes which botanists have just re-classified as orientals.

Catalogues describe it as a bog-plant, but it also flourishes with me in one of the first borders, flowering early June at a height of 5ft from a clump of attractive, rushy leaves. Edwardian gardeners made more of it, but we overlook it nowadays, being tempted by truly oriental irises, the Japanese forms which insist on proper water and are hopeless in a seasonal patch of damp.

Ochroleucum is much tougher and all the more valuable because of its height.

As a backbone behind and beyond it, you ought to try groups of willow, maintained as shrubs, not trees. The roots often run fast and need to be cut with a spade, but the family is able to survive the change from wet to dry and many of its members are still underestimated.

Take a good look at Salix in its bushy forms now that we are approaching the catkin season.

I am always glad of an observation by the late Arthur Helyer, made on tour in South

Africa. He noticed how the large bulbs and large trumpets of flower on the Crinum, or Cape Lily, were at home in wetland beside large lakes and ponds, whereas British gardeners struggled to grow them in dry soils against a south wall.

In sheltered gardens, they are perfectly happy in a wet swamp, but if wet disappears, they will persist as usual.

Mr Tipping was strongly against too much formality. "Make nature the predominant partner; art is but a humble handmaid who seeks to still her passions, curb her wildness, and give added value to her beauties."

Winters like this one are rather too passionate for humble handmaiden, but in summer, I recommend a plant which you might miss in a great family of border perennials and spring beauties. In a wet-dry patch, I have quite failed to kill Anemone rivularis. It is everything which a waterside primula is not: tough, persistent and easily divided from its own outlying

pieces.

It spreads rapidly and in early July it sends up stems about 1ft high whose white flowers are backed with blue-grey. There is no curtaining its wildness and it will even seed itself when happy; in difficult conditions, it seems to me to be a beauty with much better temper than the experts remember to tell us.



Wet and dry: the exquisite Dicentra is equally happy with rain and sun

Garden Picture Library

Seven years ago - long before the first proper ski-lifts - British skiers started hopping on to the mountain railway with their skis at Wengen, Switzerland, to give them a ride up the slopes so that they could then ski down again.

To distinguish themselves from the hol-poll, who were still taking for ever in walk up, they gave themselves a rather snappy name: the DHO club (short for Down Hill Only).

In 1993, a train of a different sort is beginning to take British skiers on an even more intriguing journey - under the English channel for a quick get-away to the Alps.

And the substantial increase in recent seasons in the number of ski-drive enthusiasts - who already prefer the freedom of the road to airline packages - could provide the Eurotunnel, the tunnel operator, with a useful flow of skiers.

Eurotunnel's Le Shuttle service, which carries vehicles through the tunnel, claims it is now the fastest way of reaching the continent from Britain. So it must be good news for skiers. Or must it?

Driving to the French Alps has greatly increased in popularity in the years since the 1992 Winter Olympics in Sarajevo, following the extensive road improvements which have made such favourite British haunts as the Trois Vallées, Les Arcs and Val d'Isère so much more accessible.

Ferry operators, worried by the threat posed by Le Shuttle, are competing energetically to attract motorists to traditional surface crossings, with all manner of special offers.

This means skiers taking their cars have rarely had it so good in terms of choice and value and ski-drive brochures have multiplied.

The opening of the tunnel seems to herald an age of fast and efficient travel between the UK and mainland Europe. But so far, with the inevitable teething problems, the reality

The tracks all the way to the snow

Arnie Wilson looks at how Channel tunnel trains could change the way British skiers travel to the Alps



does not quite live up to the dream.

Friends who recently took the tunnel for the first time experienced a two-hour delay before loading their car on to the train at Folkestone. They were understandably disgruntled since the tunnel's sales message trumpets time-saving and convenience, particularly during winter when sea crossings can be affected by bad weather.

There is one more snag, albeit a temporary one: a height restriction on vehicles, which will be with us until the end of the current ski season. This affects vehicles over 1.85 metres (6ft 1in) which effectively precludes the use of a ski box or roof rack on vehicles such as a Range Rover or Renault Espace.

However, there is little doubt that the 35-minute ride on Le Shuttle should make the journey to the Alps easier and faster, capitalising on the already-existing wide network of Autoroute links from Calais to the

ski resorts closest to Lyon, Grenoble and Geneva.

American skiers think nothing of driving long distances across and between states, often travelling through long, deserted stretches of country which can be tiring when the needle on the fuel gauge flickers towards empty. At least this is not such a hazard on French autoroutes which have frequent rest-stops and service stations.

While this alone may not be enough to tempt skiers to take their cars, the freedom of the road can be an attractive alternative to potential congestion and delays at airports. A car also makes it easy to ski in more than one resort and to seek the best snow in the area.

So where does all this leave the core of enthusiasts who prefer to put their cars fully loaded with provisions and ski equipment on a train all the way to the Alps?

French Railways' Motorail service caters for hedonistic skiers who enjoy the freedom

of having their car when they arrive without the strain of driving it there.

Each Friday, they can now travel on Le Shuttle from Folkestone to Calais and make the short drive to the Motorail station at Calais Ville where their car can be loaded on to the Motorail night service to the Alps.

It is possible to book a sleeper on this train and skiers arrive the following morning rested and ready to drive to their chosen resort with the prospect of a full day's skiing on the Saturday.

There is talk of a Motorail terminal at Ashford in Kent, where cars could one day be loaded on to a Channel tunnel Eurostar train and proceed through the tunnel and on to the Alps without breaking their journey. This would require a high level of investment, and for the time being is consigned to a "dream list" rather than a firm plan.

Another popular option for skiers who do not wish to drive is the Ski Train, chartered once a week by tour operators. "It appeals to very keen skiers who benefit from two extra days skiing - and to young people who like to party," says Jacques Le Star of French Railways. "Beer bottles are consumed by the hundred in the disco carriage."

The Ski Train departs from Calais on Friday evenings, arriving early on Saturday morning, and returns the following Saturday after skiing. One snag with this option is that while people arrive at their ski resort earlier than most, their accommodation is often not ready before they want to go out and ski - and changing facilities are limited

or non-existent.

Le Star's ambition is to improve the level of comfort and service on the Ski Train, to provide an alternative to the ferry crossing. He wants to link it with the new high-speed Eurostar train service, which runs from London's Waterloo station, through the tunnel to the continent, providing a fast

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Fishing / James Penn

Adrift and trailing feathers

The sky was leaden and the sea looked about as inviting as a cold bath when I booked my place on the *Mary Rose*. It is not every day you get the chance to go deep sea fishing off the coast of Ireland.

The following morning, I made my way to the quayside to meet the *Mary Rose* and Butch, the South African skipper. We headed out at gathering speed into the dark, steely cold waters of the Atlantic.

Kinsale is an ancient English plantation and fishing port on the southernmost tip of Ireland, 18 miles from Cork. Kinsale is the "gourmet town" of Ireland because it has a population of barely 2,000.

I had hoped to fish the wreck of the *Lusitania*, the US liner which was sunk by a German U-boat in 1915. But the wreck is 20 miles out.

After an hour we pulled up below a lighthouse and began drifting slowly with the turning tide. Butch had heard that there were mackerel shoals

about and fixed both our lines up with "feathers": dyed chicken feathers tied to a hook and supposed to represent small fry. There are five or six of them - all of different colours - and when you hit a shoal you can often expect to hook a fish on each one.

But it was not mackerel we caught but pollack - beautifully streamlined creatures with fleshly lips, black backs and silver flanks. The rod tip dipped on my first cast as I started winching the line back in on my short, stubby boat rod. And there was the gleaming fish thrashing round in the surface. We returned home and a rather miserable-looking kittiwake tried to swallow Butch's bait, hook, line and sinker, while it wasダンギング over the side.

Back on dry land, I took my revenge on all those fish that had not bitten. At Man Friday I ate a delicious fish chowder, followed by turbot stuffed with crab, prawns and leeks.

A boat normally costs about £220 and can take five or six people.

The cod is in its way a magnificent beast. Its glazed, bulbous eyes gawped at us as we unhooked it and tossed it back.

The fish had not tested the equipment but this was hardly surprising since we were using shark tackle, which can be used to hook blue shark in summer. Mako and Porbeagle shark also summer in Irish waters, but are less likely to be hooked on rod and line.

I grew tired of feathers and requested a change. Butch baited the lines with frozen mackerel, and we embarked on a bit of bottom fishing. The boat was brought to rest with the anchor, and we released our lead weight on to the sea floor in the hope of connecting up with a ling or conger eel.

Conger eels have long exerted a hold on my imagination. When I used to spin off jetties and breakwaters for smaller fish as a child, I would always think of these elongated,

SPORT / MOTORING

Sailing / Keith Wheatley

Emotional storm ends in tears

Australia ought to list Syd Fischer as a national monument. Of course he is mean, curmudgeonly and possesses a cruel sense of humour. But for close to 40 years, this 67-year-old Sydney property developer has spent his own dollars to race yachts at the highest level. Since 1982 he has competed in all four America's Cups, a salty anomaly in an age of multiple sponsorships and marketing directors.

The PR contact-point is generally the phone in Syd's apartment. Ringing for a comment can be a nerve-shattering experience, almost as tough as sailing with him. Last week in San Diego he exercised proprietorial freedom in spades. Fischer sacked his helmsman Chris Law, after a curious final race in the first round robin of the Louis Vuitton Cup (challengers' elimination series), when Sydney '95 veered off the course during the last downwind leg and failed to cross the finish line.

It took a day or two for details of a horrendous onboard row to trickle out. Law, it seems, learned that the boat was sailing with an experimental rudder in contradiction of regulations forbidding a yacht to change configuration in mid-round. Bans for the sailors loomed as a potential, if extreme and unlikely, punishment.

Law, an enormously talented but mercurial British sailor with Australian residency, was finally given an international ban last October for yelling obscenities at the on-the-water umpires during the world match-racing championships at La Rochelle. Since Fischer is not an official, Law probably exercised his vocal chords in the owner's direction.

The long tow back to base cannot have been fun, nor the ensuing evening. Fischer and Law had been sharing a flat in the San Diego suburb of Mission Bay, where the majority of the Cup teams are based.

Next day, Fischer offered a terse, oblique statement to the press. "Law became very emotional and report-

edly made critical comments regarding the syndicate and some of its personnel... which in another frame of mind he may have regretted."

Chris Law's only comment was that he suspected all along it would end in tears. It was a shame, because with two wins in the first round, Sydney '95 had already clocked up more success than Fischer had managed in the whole of the 1992 campaign.

Certainly it was a better result than the disastrous 1-5 record of Marc Pajot's team *Defi France*. In spite of two years of training, a huge budget and a well-orchestrated two-boat technical programme this group seems to be pressing the self-destruct button.

Pajot has often enmeshed his America's Cup campaigns in French politics, and *Defi France* is mired in the rivalry between Balladur and Chirac, each of whom is eager for the publicity spin-offs of a boat that wins races.

Unfortunately, the first of designer Philippe Briand's two yachts is a dog and in the first round only managed to beat the unfortunate *Rioja de Espana*, which is so far off the pace that one can only wonder whether too much of the sponsor's product was consumed at the construction stage. Briand's second effort *France* is now the team's only hope of salvation.

Of the challenger groups setting the pace *Team New Zealand*, with six straight wins, is making the game look easy. Both the technical and sailing crews with *TNZ* have many America's Cups between them and know what it takes. With a step back for perspective one can say that this challenge truly represents close to 10 years of accumulated know-how.

Skipper Russell Coutts is the top-ranked match-racer in the world. If the Kiwis do not win the Cup this time, they never will.

Part of that prediction can be based on the certainty that if *TNZ* stumbles, then the lean and hungry Kiwis of Chris Dickson's team, *Tag Heuer Challenge*, will leapfrog over them. Dickson won five races with his unnamed



Members of Tag Heuer Challenge team hoist the spinnaker.

boat. It was going faster every day. His one loss was to his fellow Australian. Dickson is a sailor for the 1990s, the complete minimalist. His young crew is largely unknown but talented and with experience garnered with Dickson aboard *Tokio* during the recent Whitbread round the world race.

He unveiled the new America's Cup yacht, with a folksy lack of *fol-de-rol*. His diminutive mother Marilyn stood on tiptoe to crack a bottle on the bow. The French in the adjoining dock, by

way of contrast, had had an astroturf garden party and prime minister Edouard Balladur on a satellite TV link. Dickson's boat is plain battleship grey, with a paint job only the US Navy would consider ostentatious.

"I asked the paint manufacturer what colour world weighs least. This is the answer. I think maybe it's some kind of undercoat," he laughed, far more relaxed than the intense, aggressive Dickson of the past.

"Our boat is long and narrow, with

a very fine entry to cut through the

San Diego chop. We've also got proba-

ble the lightest ball in the entire fleet," said Dickson.

Bruce Farr, the designer, has gone to an extreme corner of the IACC rule to draw this one, optimising the yacht for winds of no more than 8-10 knots. There is little crew protection, with no side decks to the cockpit, which resembles a giant dinghy with a completely open, scoop stern.

"Skinny little bugger, isn't it?" said Fischer, with the verbal directness be-

was to turn on Law a little later.

Cross and Des Bulpin. They want our football to be more threatening and where before the midfielders used to play the ball wide, they are now playing down the middle or direct to the front men."

Little fired Colin Clarke, Villa's youth team coach because of a lack of "continuity between the youth department and myself".

Royle, Francis and Little are not alone. The Leeds championship side three years ago was epitomised by Gordon Strachan. Strachan has retired. Now Leeds rely on the largest, clumsiest front line in soccer: Phil Massinga, Brian Deane and David White.

But a manager who thinks fans at big clubs (Arsenal excepted) will settle for club philosophy, replacing successful youth team coaches with their own men.

Spurs' match programme recently included an interview with Sammy Winston, a youth team forward. He said: "I have noticed the change in style since Gerry arrived with Roger

cross and Des Bulpin. They want our football to be more threatening and where before the midfielders used to play the ball wide, they are now playing down the middle or direct to the front men."

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It is not clear why France has declined and England has prospered.

The French club league sys-

tem is no longer as strong as it was.

There are too many games.

Too many are marred by violence.

Last year, a second division game was abandoned before the kick-off.

The teams had started fighting as the visitors got off the bus. The referee called the gendarmes.

In one of the semi-finals of

the cup, a player punched a

tough judge.

The sanction? A

penalty kick.

The season also

lasts too long - from mid-

August to the end of May.

Politics is never far from the

surface and has been another

contributor to the decline in club standards. There is a bias in favour of the south west, particularly Agen and the cluster of clubs around it; though this is less pronounced than in the 1980s when Albert Ferasse was president of French rugby and Jacques Fouroux the coach. Played from the Toulouse club, which nurtures the spirit of French running rugby, are consistently overlooked.

Bernard Lapasset, the new French president, has been a breath of fresh air. As his rugby has latterly been in Paris, he is spared the provincial politics but he still needs to re-order the game at club level. There needs to be a premier league of 12 clubs and a separate cup competition rather than the current arrangement of 32 top clubs.

The English refuse to acknowledge that France beat the All Blacks by two Tests to nil in New Zealand in the summer. They prefer to remember that France lost to Canada en route to the southern hemisphere. This new-found arrogance is the hallmark of the current England side.

The last French win was on Will Carling's debut in 1988. Before Carling, the French dominated the Five Nations championship with grand slams in 1977, 1981 and 1987 (the year France contested the first world cup final against New Zealand) and championships in 1983, 1985, 1986 and 1988. And England? A solitary grand slam in 1980.

France set the rugby agenda.

Its club rugby was fiercely competitive and attracted players from around the world - mainly from New Zealand but latterly from Australia too. Even today, there are as many as 200 such players trying their luck with French clubs.

Since 1988, Carling, who is now back to his best form, has led his side to a record seven victories in a row. That run has included some heroic games, particularly for the English supporter. England's 21-19 grand slam win at Twickenham in 1991 was breathtaking; especially Serge Blanco's run from his own dead ball line, a quintessential French try. There was the ferocious rugby world cup quarter-final that year at the Parc des Princes and the sublime victory in 1992 when England dismantled an outstanding French side 31-13.

It is not clear why France has declined and England has prospered.

The French club league system is no longer as strong as it was. There are too many games. Too many are marred by violence. Last year, a second division game was abandoned before the kick-off. The teams had started fighting as the visitors got off the bus. The referee called the gendarmes.

In one of the semi-finals of the cup, a player punched a tough judge. The sanction? A

penalty kick.

The season also

lasts too long - from mid-

August to the end of May.

Politics is never far from the

surface and has been another

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مكتبة من الأجمل

FOOD AND DRINK

The doctor's orders

Jancis Robinson picks some soothing red wines for cold sufferers

As I write I am sucking a Fisherman's Friend, the Lancashire port of Fleetwood's great gift to the world, a comforting throat-soothing, nostril-clearing lozenge. Like many Britons, I seem to have had a cold for the last two months and have had to tailor my eating and drinking habits accordingly.

There is no shortage of wines that achieve much the same effect as a Fisherman's Friend - and now, rather than mid-summer, is the time to drink them.

They share concentration plus tannin or alcohol or both, and tend to be made in places of little interest to cough sweet salesmen. In fact it is an almost invariable rule that the perfect wines for a British winter are extremely difficult to enjoy in the heat of the place and season that produces them.

California winemaker Ed Flaherty (who made my old friend Cono Sur Pinot Noir 1993, £4.49, Oddbins and Safe-

way) has made another even cheaper, even more warming red which I think is absolutely terrific (El Liso 1993, a recent £3.79 release exclusive to the more wine-minded branches of Victoria Wine). Nothing so strange about that perhaps except that the first came from Chile and the other from La Mancha, Spain.

El Liso, "the smooth one", was not even made by him. All he did was jet in from South America and blend his pick of the wines made by a new bodega which, unusually for Don Quixote country, specialises in reds. This deep-coloured, spicy, hearty number is made of Tempranillo grapes (the principal grape of Spain's revered Rioja and Ribera del Duero wine regions) aged in new oak for seven months.

Flaherty's delightfully user-friendly touch may be due to his Davis degree in fermentation science or, more tastefully, to his first job, in Washington state, making wines from fruits, such as raspberry and rhubarb. His grape wines are

nothing if not fruity. Châteauneuf-du-Pape and Gigondas from the southern Rhône also have just the build for fobbing off flu on a cold winter's night. Yapp Bros. of Mere, Wiltshire (0147-560423) and Gaundley's of Nottingham (01602-417973) are two Rhône specialists.

Californians may be too sophisticated to produce the sheer mass a sufferer needs

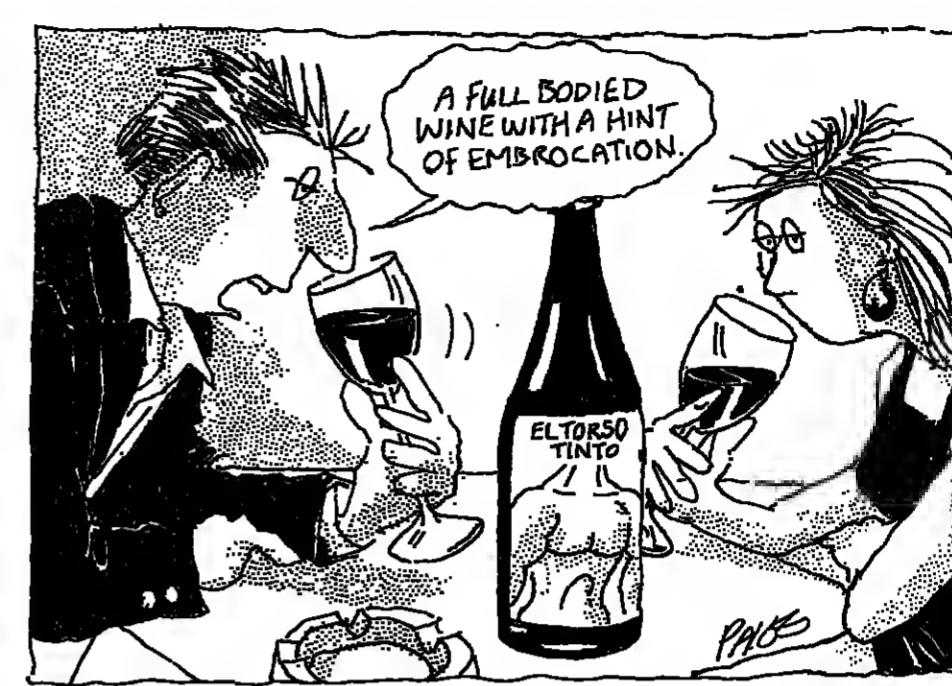
Australia's warmer wine regions are another obvious source of midwinter comfort. Top Australian wine writer-cum-winemaker James Halliday is most famous for his refined Pinot Noir from the cool Yarra Valley but James Halliday Grenache-Shiraz 1994, made from sunny

McLaren Vale fruit, is soon to arrive in the UK and will sell for around £21. The only such wine to have been made in French oak, as he proudly claims, this one has guts, garters and a high degree of sophistication to boot. Delicious stuff for this next winter. Stockists and Le Naz Rouge mail order wine club on 0171-603 4711.

Another Australian hulk that requires some work to acquire is Heritage Cabernet Franc 1994 at £7.49. With this vintage, which will not arrive at the Australian Wine Club of Datchet on 01763-544546 until April, this wine returns to the memorably reverberating form of the 1981. Stocks will disappear fast.

The famously dense E&E Black Pepper Shiraz from two Barossa growers is now available at £12.99 from Davisons, while Peter Lehmann's Vine Vale Shiraz is a marvel of concentration and macerated fruit for £3.99 at Oddbins.

California Zinfandel is



nothing, and can taste much more delicious than Night Nurse. Oddbins may still have some of the fine Ridge 1992 bottlings at £13.49 as well as the perfectly respectable Ravenswood Vintners Blend 1992 at £6.99. Greenall's rapidly developing upmarket chain Berkeley Wines (01925-444555) has

the dense and spicy Madrona 1993 at £7.29.

But the Californians may be too sophisticated to produce quite the sheer mass of extract that a bad cold sufferer needs. This is where the Argentines come into their own. Marks and Spencer has the thoroughly un-M&S-like Trapiche

Medalla 1991 for £6.99. Based on Cabernet but souped up with Malbec, this is an enormous, delightfully uninternationalised product.

Argentine specialist Pampas

have the whacking Malbec 1991, Luigi Bosca, both around £8, next month.

But back in Spain there are indigenous marvels too. The Navarre producer Chivite's top bottling is like El Liso, made almost entirely from Tempranillo, although the Julian Chivite Aniversario 125 1988 Gran Reserva is much more glamorous and ambitious. Aged for two years in French and American oak, it is obviously designed for drinking over the next five years and proves, like Oddbins' Palacio de la Vega range, that Navarre should not be dismissed as light red wine country. Around £11, it is worth seeking at the Grape Shop, London SW1. D. Byrne of Clitheroe, Lancs, (01254-762200) and the Winery of London W3.

Full, deep, rich but with a tingle of acidity that might not appeal to all palates, Portugal's Quinta Foz De Arouca 1990 is reminiscent of the Mouchão I raved about last autumn. It

worth seeking at the Grape Shop, London SW1. D. Byrne of Clitheroe, Lancs, (01254-762200) and the Winery of London W3.

Big reds? You cannot get much bigger than Amarone, wine made from dried Valpolicella grapes. Bigger Sainsbury's have an unusually soft, full 1988 from Sartori at £6.49 which tastes as though it would cure many a sore throat.

sensible example.

Another exciting new restaurant is C.T., 111 East 22nd Street (212-665 8500). It has a French culinary foundation - C.T. is Claude Troisgros, son of Pierre of Roanne - supporting strong influences from Brazil where Claude has been cooking for several years. We ate in a section of the restaurant looking into the kitchen, where Claude was busy tasting new dishes.

C.T.'s menu contains descriptions and dishes I have not encountered before: salade canard - a salad of duck, foie gras and duck confit, fresh roasted peanuts and spicy olive oil and a well-prepared boeuf au manioc - a crusty beef tenderloin in a red wine sauce with a yaourt biscuit.

A three-course menu is \$36 but the wine list is expensive by New York standards unless you want to add a third continent's influence and drink the Australian Cape Mentelle Shiraz 1992 at \$27.

Finally, to a most beautiful dining room for lunch, that of Chantarelle, 2 Harrison Street (212-666 6560). The corner site, with natural light on two sides, matches the elegance of David Waluck's cooking which produced a *prêt à manger* lunch menu at \$33 of cured tuna with mustard and coriander, large triangles of salmon in thin pastry with cabbage and caviar and a refreshing grapefruit soup with grapefruit and Campari granita.

The culinary skills of New York's chefs is matched by the enterprise of its restaurateurs. On Wednesday, Alan Stillman, a man with seven restaurants to his name, took a full page advert in the New York Times showing 15 different top wine labels from around the world. Underneath was his slogan: "Hail a cab to the great wine regions of the world. You pay for the cab, we'll buy the wine."

Book a table at Cité, 51st Street between 5th and 7th Avenues (212-586 7700), during 8pm and closing time, until the end of 1995, and they'll pour any four of these wines at no extra cost to the price of the \$35.50 three-course dinner. In theory you could drink four bottles with your meal. Last year the restaurant staff poured 36,484 bottles of wine. Could Stillman have the solution to the European wine luke?

Big bites in the Big Apple

Nicholas Lander reports on New York's newest restaurants



Gramercy Tavern you will need to book in this popular and innovative New York restaurant

than it is downtown, particularly in the bustling areas around the Flatiron Building, Union Square and Gramercy Park. But, since I was pressed for time, I headed downtown.

New York's most talked about new restaurant is Gramercy Tavern, 42 East 20th

Street (212 477-0777), which used to be an army-medal factory. It is the creation of Danny Meyer whose successful first restaurant, the Union Square Cafe (212-243 4020) has just published its cookbook in the UK (Harper Collins, £12, 330 pages).

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The sensitively lit restaurant uses a lot of wood, the walls are adorned with old prints and artefacts and, in one white alcove, there is a colourful tapas.

The dinner menu is \$52 per head (excluding wine). There is a cheaper tavern menu, with

dishes \$5-\$15, while lunch in the restaurant is \$36-\$40. Desserts emerge from an open wood-burning range. Highlights are panna cotta with warm orange segments, blood orange sorbet, roasted pear with sour cherry compote and ginger ice cream and a warm chocolate ganache cake with vanilla bay leaf sauce.

This is the only restaurant I have been to which serves a range of wines by the half glass.

Meyer said: "I wish I had realised this 10 years ago when I first became a restaurateur. This is how people want to

drink today, especially at lunch."

We drank four different half glasses for \$15 and left feeling we had a bargain. Unfortunately, British restaurateurs, constrained by recent and ridiculous legislation on wines by the glass, cannot follow this

It is not often that beer and wine coexist on an equal footing. I can think of cities where there was a strong wine culture where measures were taken to prevent beer from being brewed within the walls.

Offhand I cannot think of a case of brewers getting together to prevent the planting of vines. But, until the tide of revolutions hit Europe at the end of the 18th century, the larger vineyards were generally in the hands of the established powers in the land: the church and the aristocracy.

It is often said that Germany divides into three distinct geopolitical entities: schnapps-Germany in the north and east, beer-Germany in the south and wine-Germany in the west.

The schnapps-Germans distrust the wine-Germans and the beer-Germans; the bear-Germans the wine and schnapps-Germans; and the wine-Germans the schnapps

tion of the first order. I arrived there at the flag-end of last year. My first port of call was the Schlenkerla Ausschänke in the Dominikaner Strasse, which, ever since Napoleon smashed the Holy Roman Empire, has been somewhat unconvincingly attached to Bavaria.

The western part of Franconia is associated with good, flavoursome wines, often made from the under-rated Silvaner grape. Bamberg is less famous for wine than Würzburg, but the nearest vineyards to the city are within walking distance of the cathedral and there are dozens of *Weinhäuser* in which it is the most normal thing in the world to order a *Viertel* of wine and a plate of earthy, Franconian food.

Bamberg is also exceptional for another reason: it almost alone of German cities of any size, survived the war with only a few broken rafters and shattered roofs.

The well-preserved glories of

romanesque and baroque Bamberg make it a tourist destination.

was frustrated in my attempts to get a *Bierhaus* and had a mountaineous *Elbschänke* instead: a holed pork knuckle fanned on either side by Sauerkraut and *Bratkartoffeln*. Then came the

first impression was of putting my nose into a dish of lentils and smoked bacon, but as I got farther down the glass the strong, smoky character was less and less disturbing the locals. I swiftly ordered another.

The next day was new year's eve. Like a fool I had not booked into a formal *Silvesterbend* in one of the city's restaurants and was obliged to eat a boring meal in a pretty riverside restaurant called *Weinhaus*. After dinner, I wandered up to the Michaelsberg with its great baroque abbey where the local *Maisels* brewery has its own Ausschänke. Here, I drank *Hefe* or yeast beer, tasting of fresh bananas until the year finally closed.

As I left, crowds were converging on the monastery: cheerful Bambergers clutching

a bottle of *Sekt* in one hand and a bundle of fireworks in the other, gathering for their new year parties.

On January 1, the old city was ankle-deep in snow and I had more luck with the local restaurants. I went to the *Weinhaus Messerschmitt*, which has been owned by the same family since the 1820s: Willy Messerschmitt's people.

He founded the aeronautical company which created the Me 109, the Me 209 and the first operational jet fighter (the Me 262) here in 1923. The *Weinhaus Messerschmitt* has reverted to a peaceful vocation.

I ate the pretty aspic of "happy" (ie humanely dispatched) carp; some Bamberger vegetable soup; a bunch of sucking pig with *Weinkraut* on a *Rauchbier* and stock reduction; and drank a bottle of Silvaner from the Juliusburg in Würzburg. It was a fine, last meal in baroque Bamberg, and a fortuitous blend of wine and beer.

The next morning I trudged off to the station through the snow, with the smoky fumes of the *Spezial* brewery hanging in my nostrils.

Information: Schlenkerla *Rauchbier* is available at £1.49 a bottle from Oddbins and J. Sainsbury.

Weinhaus Messerschmitt, Lange Strasse, 41. Assume about £10 a head with wine.

Appetisers

Parker pops in



which is starting to get bottles on shelves.

Fortnum & Mason, of London SW1, has a stunning 1990 Bürgerspitalstiftung Spitz and a 1993 Weissenkitchener Achleiten which, in three years, will probably be even more exciting.

Both these Wachau Riesling Smaragds sell at £10.95 chez

Jill James.

F&M, which also has a 1993 Grüner Veltliner Federspiel at the more introductory price of £5.95.

A gastronomic seminar led by restaurateur Albert Roux takes place at the Institute of Contemporary Arts, The Mall, London, on March 20 at 7.30pm. Among the questions being debated will be: what makes kitchens of distinction; why the question of taste has lost its bite in Britain (sic), and what makes for French superiority in sauces. What sounds a distressing agenda to British food lovers is almost certain to be enlivened by journalist and broadcaster Henrietta Green and *The Guardian* newspaper's food and drink editor Matthew Fort. Tickets cost £5.50 (tel: 071-930 3647). Jill James

BENGAL CLIPPER BY THE RIVER

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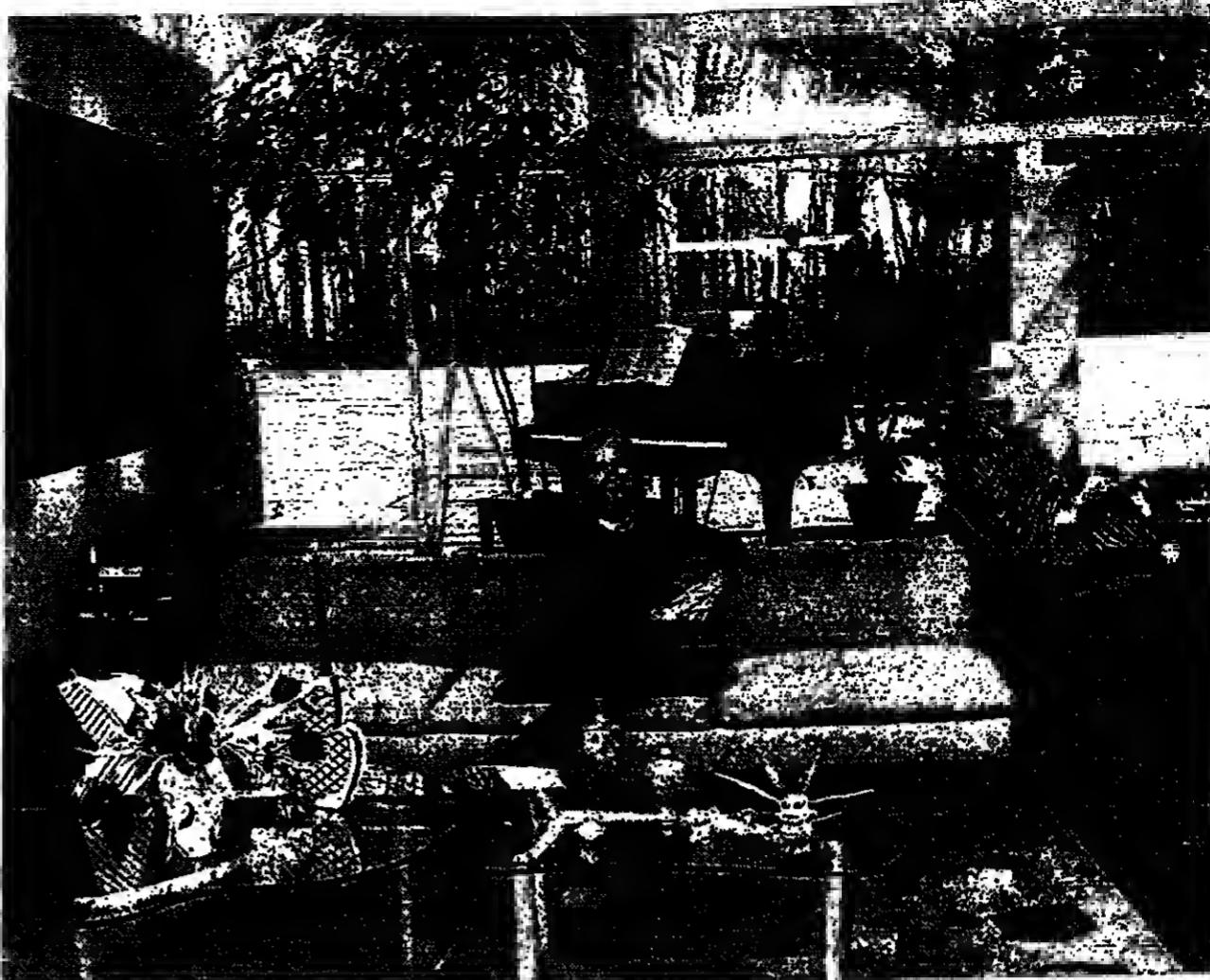
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FASHION



The sitting-room in Jeff Stone's Sutton Place apartment: storage, no sofa, no television – the tension between the Alvar Aalto low round table and the fake formality of the reproduction Louis XIV chairs make it 'one of the great pieces for having a Scotch'.



Kim Johnson-Gross's Bauhaus-style house in the woods outside New York – an air of great tranquillity compounded of order, light, air and space give the house its special atmosphere

Visual inspiration and evangelical living

A style. A trend. A way of life. Lucia van der Post talks to two friends who have become New York design

"You know," says one chic shopper to her friend on the escalator in Bloomingdale's, Manhattan, "I used to love to go shopping and now... I guess I hate it."

Just one shopper in one store in New York but in this little exchange is captured something of the feeling of the age. Multiplied, it goes a long way to explaining why, no matter how temptingly retailers lay out their wares, bottom lines are still precarious, designers are all at sea, and trend-spotters are still bemused.

Times and economics have changed and with them the way many view the world. Sensing this, giving it concrete form, articulating it in a series of apt little guides to modern living called *Chic Simple*, are a couple of forty-something New York friends called Kim Johnson-Gross and Jeff Stone.

These 16 modest volumes – dealing with everything from the home to clothes – have sold more than 350,000 copies.

At Rizzoli (roughly to New York what Waterstone's is to London), the *Chic Simple* book is consistently among the top 10 best-sellers.

It was three years ago when Stone and Johnson-Gross felt a need to move on from the jobs they were in (Kim was a fashion editor, Jeff worked in publishing). They felt, correctly, that if they were feeling a need to streamline their lives and rethink their approach to living, so probably were many of their contemporaries.

"The economy had changed," says Johnson-Gross. "Jobs were becoming more precarious, many of my friends were having families, spending more time at home, wanting more comfort but less formality."

"Many had less money to spend but they had been exposed to great quality during the 1980s and they were not happy to compromise."

"Taking risks ourselves, giving up our jobs and our health insurance (madness, said our friends), meant we had to cut



Jeff Stone and Kim Johnson-Gross, partners and founders of the *Chic Simple* guides



A Conran table and well-used "classic" modern furniture make up the dining area in the Johnson-Gross house

down drastically on many of the things we'd taken for granted.

"I was used to travelling to the fashion collections and had to learn to edit my own clothes down. So we put all that stuff into the books, the basic principles that people had forgotten about – age-old wisdom pared down and repackaged for the 90s."

When they started, they

worked from Stone's library – today, they work in a light and airy loft in Manhattan's SoHo and have six people working for them. They have tripled in growth and, most importantly, they agree: "We're creating the things we want to create, we have fun doing it and if we can see our way to meeting the

principles that people had forgotten about – age-old wisdom pared down and repackaged for the 90s."

They are primers to a fresh,

clean, serene way of living that chimes in with many people's inner psychology. They offer a chance to reflect on the way we live today, applying a Zen-like clarity to the matter of dressing, bathing and furnishing a house.

They know that it is not so simple to make something simple. It requires a finer eye, a truer taste. "Basically," says Stone, "you shouldn't have more things than you can

afford."

In keeping with these pared-down times, the two are not interested in having a giant company. They are the sole owners of Blue Sky Enterprises, and they aim to keep it that way. "We are laid-back control freaks – we can only keep the personality and the brand alive if we can control every detail."

"We don't want to be part of a multi-million dollar enterprise having to listen to the accountants and the apparatus and having somebody represent us that we aren't in time with."

"In the US today a personal computer is like a telephone or a TV – an everyday appliance. We see ourselves as a cyberspace general store, providing style information in a variety of media and formats."

"We don't aim to produce

products but to create a catalogue or an online magazine so that people can access information about style and products. We're spending a lot of time this year moving in that direction and putting our books on CD-Rom."

They tell us: "From Computer (#7270426) to e-mail (info@chic-simple.com) we can be reached." And reach them readers do – they have been faxed and e-mailed from all over the world.

Lest this all sounds like so much high-flown idealism, fruitful fodder for modish little books but bearing little relation to the real world, I have – sickeningly – to report that Stone and Johnson-Gross seem to live by the precepts which underpin their growing empire. "Our houses and our

wardrobes," they say, "are laboratories for our books."

Here, for instance, is Johnson-Gross, elegant in classic black wool Armani trousers – "at least eight years old" – a black leather belt with a beautiful buckle, a scoop-necked fine black body and a stunning silver necklace of precisely the right length. Shining blonde hair, little make-up.

Stone is in jeans, a white shirt and a navy cashmere sweater. "Working on the books," says Johnson-Gross, "has made us look into our own lives, made us think about how we live and what really matters."

Then there are their homes.

Take Stone's. He lives with his partner, Jane, and sons who come and go. We enter a large and roomy apartment in Man-

hattan's Sutton Place, just by the river (no one ever said living simply was necessarily cheaper... the less you have, the more important the quality of what you have becomes) to find a long, white, painted hall. On the walls a row of empty wooden picture frames. Inside two adjoining frames the words *Nob and Art*.

Photography: Margaret Gibbons

entertainment and no TV. It has a sense of still being open to possibilities. I had always assumed that when we had people in we would gravitate to the library where there are sofas and comfortable chairs but I find we sit here all the time."

The bedroom has what he calls a "cheap reproduction bedstead which is placed off-centre and seems to float but the sheets are Pratesi and cost more than the bedstead".

At the window are simple cheap synthetic white curtains – "they can be just washed and dried which is essential in the fifth of New York. We just nail them to the walls – I love the contrast between the heaviness of the nails and the fragility of the fabric".

What gives the apartment its special air is the sense of discovery – everywhere there are small visual delights, a group of simple stones, a series of antique door handles placed where there is no door ("I believe a house should have a sense of humour"), some miniature chairs above a

Kim's house is even more pared-down than Jeff's but is equally idiosyncratic, perfectly exemplifying her belief that style should never be mass-produced but always personal and particular.

Here in Rye, just outside New York, Kim lives with her architect husband, David, and their two daughters, in a 1950s

Bauhaus-inspired glass house. "Outwardly we were mad to buy it – it had no storage, no basement, no attic, no garage but it felt good. After living in the middle of the city I loved coming out here. We overlook a nature reserve and the glass windows make us feel nature is all around us. As a family we love that feeling of being close together."

"Living in so small a space (though they are now adding an extension which will greatly expand the house) has forced me to edit things constantly. It now really bothers me to have things that I don't wear any more."

"It's that feeling of excess that I hate. Doing the books has helped Jeff and me make sense of this adventure that we call life."

"We examine our lives constantly. It is amazing what you can do in a very little space – I have just produced a whole cookbook (the next *Chic Simple* title) in that tiny kitchen."

Chic Simple books are published by Thames & Hudson in the UK. New editions, due in mid-February, include a large format *Body*, £14.95 and *Storage, Nursery, Desk and Tools* in small format at £7.95 each.

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BOOKS

Well qualified for the high life

A.C. Grayling reflects on the place in society of elite education

Is higher education worth it? Some of the effort involved in achieving a place at university and then the years spent in getting a degree while contemporaries are already earning money and accumulating valuable experience. Post-graduation professional qualifications add further lengths of study: two or three years for the lawyer, five or six years for the doctor. Is it really worth it?

The question has become more acute in the changing economic realities. Unemployment rates and changed work practices make the labour market at all levels a more volatile place. Between ten and 20 per cent of the Harvard Class of 1988 is currently unemployed in the US. Were the years of undergraduate and graduate study worthwhile for these people, now aged 35, who represent nearly one in five of the highest-educated in their generation?

Such is the deeply uncomfortable

question asked by the authors of this long-term study of a group of Stanford University graduates in the first decade after graduation. Their answer is important not just for intending students, and for the parents who wholly or partly pay for them, but for society at large because if expenditure on higher education is not justified by subsequent advantages for its beneficiaries, why bother with it?

The authors' reply to their question is emphatic. Higher education is, they conclude, unequivocally worthwhile. The facts speak for themselves. Four out of five of the graduation cohort they studied went on to take professional qualifications, most of them studying

business, law or medicine, others gaining engineering or technical degrees, a few taking doctorates in humanities or social science. Most entered high-paying careers associated with the qualifications thus acquired.

Now, ten years later, the family incomes of this sample average \$100,000 a year. Almost all display marked upward social mobility; almost all express satisfaction with their jobs, saying that they would still work even if they did not need the money. Almost all are strongly committed to their careers, working long hours and valuing the interest and challenge of their work more highly than the financial rewards they receive.

One fascinating result was that although the women in the sample earned on average 27 per cent less than their male classmates, chiefly because of career interruptions

THE CREAM OF THE CROP
Herant Katchadourian and
Hohn Boli
HarperCollins £27, 383 pages

members related mainly to domestic life, where the primary areas of contention are domestic chores and child-care. Educated women still do the lion's share of the former, and either undertake or arrange the latter. Most said they would like to engage in more cultural activities - theatre, concerts - than time in practice allows. In these respects Stanford, California, looks little different from London, England.

This last point merits attention. The authors write about "elite education", by which they mean the species of higher education offered at Stanford and Harvard and others of the premier universities of the US. Most American colleges fall well short of such standards. How

do British universities and their graduates compare?

Despite nearly two decades of double squeeze - funding cuts and simultaneously increasing student numbers - British universities remain in the same league as, or

better than, America's best, producing graduates whose levels of attainment are not matched by American students until the latter are in "graduate school". It is not in quality but in (properly funded) numbers that the UK falls behind America, Germany and Japan; far too few Britons are educated to the highest levels.

But in other respects almost everything the authors say about their Stanford sample applies to

British graduates who proceed to professional qualifications. As one would expect, higher education leads in the main to higher achievement and higher standards of living. It might not provide immunity against recession and labour market volatility, but it helps. Moreover, the authors note, most unemployed graduate professionals do not stay unemployed for long.

The measurements used by authors apply to income and satisfaction. Such intangible benefits of personal life-enrichment are not much explored, which is a pity because one of the greatest values of higher education lies in its production of fresh generations of thoughtful, discerning, questioning people capable of keeping society alive by challenging and therefore renewing it. At least this regard, then, the question should not be: is higher education worth it? but instead: would a society without higher education be worth it?

Taste of infinity in a puff of smoke

Michael Thompson-Noel on an elegant philosophical study of tobacco's darkly beautiful 'negative pleasure'

On average, I smoke 34 nasty, filthy, killing cigarettes a day. I use the brand smoked by cowboys. I am fairly sure they are killing me, though it is possible they are not.

I cannot be certain that cigarettes are killing me because I do not know whether I have the gene that predisposes people to death by smoking. "If you have that gene then you are quite probably killing yourself," I was told last year by Dr Steve Jones, who is professor of genetics at the Galton Laboratory of University College, London, and author of *The Language of the Genes*. "On the other hand, you may have the gene that predisposes people against dying from smoking, in which case you could stick some in your ears and smoke six at once and you still wouldn't die from smoking cigarettes."

Either way, it is reasonable to ask why a person who is not outrageously stupid and is acquainted with all the gory risks should persist in smoking 34 nasty, filthy cigarettes a day.

This is the question at the heart of *Cigarettes Are Sublime*, Richard Klein's elegant, original, intelligent and intensely enjoyable study of the cigarette habit, and of the literary, philosophical and cultural history of smoking. It was first published in the US in 1983, but makes an official appearance in Britain in Picador paperback, on March 8, No-Smoking Day.

As Klein says, there is no place in the world where people do not smoke if they are allowed to. In praising cigarettes, he says his aim is not to encourage smoking, but neither is it to discourage smoking. As he observes, condemning cigarette smoking frequently fails to have the desired effect - often it accomplishes the opposite. With many people, trying to persuade them not to smoke is a form of ensuring they continue to smoke, as the coach at my tennis club well knows.

The Heat Death of the universe, the gloomiest prediction of 19th century physics, was widely taken as bad news. The most famous reaction was Bertrand Russell's: "only on the firm foundation of my unyielding despair can the soul's habitation henceforth be safely built".

Maybe, says Frank Tipler, an American mathematical physicist, but I don't have to believe it I don't want to. His antidote to scientifically sanctioned despair runs roughly as follows. The laws of physics permit life to engulf the entire universe. As that universe collapses into a terminal Big Crunch - the Omega Point - life will have access to unlimited energy, permitting unlimited information processing.

This, in turn, will permit the recreation of all past beings, and their perpetuation for infinite subjective time. Switch into the biblical language which Tipler favours, and you have a prediction of resurrection and eternal life. All this, Tipler believes, is not only pos-

This is strange. The noxious effects of tobacco have been known since it was introduced into Europe at the end of the 16th century. Since the early 19th century, it has been recognised that the alkaloid of nicotine, administered to rats in pure form in small doses, instantly produces death.

But we are not rats. Warning smokers of the dangers entices them more surely to the edge of the abyss, where they can be thrilled, says Klein, by the grandeur of the perspectives on mortality opened to them by the little terrors in every puff. Cigarettes are not beautiful, he says, but they are sublime because they entail "what Kant would call a negative pleasure": a darkly beautiful, inevitably painful pleasure that arises from some intimacy of etern-

ity.

To intervene in this conundrum, says Klein, a different, more paradoxical, more hypocritical strategy is necessary: in short, *not aiming to discourage smoking, in order to discourage it*. He says that in not wanting to condemn smoking, his book may in fact have a positive - that is, a negative - effect.

It is his premise that cigarettes, though harmful to health, are beautiful and civilising, and one of America's proudest contributions to the world, and that perhaps we can stop smoking cigarettes only when we start to love them, "becoming so enamoured of their charms and so grateful for their benefits that one at last begins to grasp how much is lost by giving them up, how urgent it is to find substitutes for some of the seductions and powers that cigarettes so magnificently combine... Writing

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BOOKS



'Art tart': the de Koonings



Before the fall: 'Spike's Folly II' (1960, oil on canvas) by Willem de Kooning - few now dare to damn him as a charlatan

Willem de Kooning was for many years the leading painter of the American Abstract Expressionist school, of which he was a founding father, renowned for the expressive energy of his brushwork and, paradoxically, for his subject matter - women as erotic symbol, fertility goddess, earth mother and fetish. His rival for the leadership, Jackson Pollock, abandoned the subject in favour of rhythmic drip and splash over vast acres of canvas that were never propped on easel, justifying the term Action Painting. But de Kooning's work, until the onset of Alzheimer's disease, retained references to landscape and the human figure and was far more European than American in feeling. It is true that the compositions based on the rearrangement of sections of torn drawings appear to be completely abstract, but even these, with his custom of sweeping and repeated revision of the painted surface, develop an overall coherence of sorts, a sense of pictorial space and atmosphere.

Few now dare to damn de Kooning as a charlatan, and even those who do so are compelled to acknowledge that he has been so promoted by critics, curators and the market place that he has become a major figure in the his-

ELAINE AND BILL: THE LIVES OF WILLEM AND ELAINE DE KOONING
by Lee Hall

HarperCollins £16.99 340 pages

tory of art since the last war - "The American Picasso" as his supporters put it, and indeed the man who set the standard for younger artists in the 1960s, deliberately challenging the supremacy of Picasso; after the death of Pollock in 1956 his preeminence as America's greatest living painter was beyond doubt.

The extent to which he deserves this title may be judged this month when the Tate Gallery mounts an exhibition of his paintings sent on from the National Gallery in Washington in the expectation of as much awe and adulation here. A biography of de Kooning and his wife, Elaine, by Lee Hall, the celebrated authoress of *Common Threads: A Parade of American Clothing*, is thus particularly timely. The well-qualified Miss Hall, the repellent familiarity of whose title may well have been imposed by her publishers, follows the tenor that it sets with what must have some claim to be the worst first chapter ever written for a serious biography, such an excess of pulp fiction gush as is not to be found even in Reader's Digest, as Bill and Elaine occupy "the epicentre of the art world", their relationship "a radioactive area... of sex, ambition, talent, intelligence and energy", their discovery of Abstract Expressionism pitting "the lonely and searching individual against the unknown first forces of the universe... in the role of voyager and seeker after truth".

Those looking to Miss Hall for a simple definition or clarification of Abstract Expressionism must search elsewhere, for with her "In the beginning of the art world was the

Spooning with de Kooning

Brian Sewell on a story of scandal, excess and overblown romance in the art world

word..." her exegesis is too lofty, and she supports the notion that art is art if an artist says it is. Her prime objective is a tale of tempestuous Mills and Boon romance degraded by drunkenness and sexual infidelities in their hundreds, ending in a scandal that must have the nabobs of the art market reaching for their smelling-salts.

Elaine and Bill, "handsome exemplars of art-as-life-as-art," with Rothko, Pollock, Lee Krasner, Kline, Reinhardt, Smith and Corky, occupied a causal night world of jazz, bars and cafés, of unscrupulous and self-seeking dealers, of curators who blindly followed critics, of critics as idiotic as Clement Greenberg with his declaration that Bill is a painter in the great tradition of Leonardo, Raphael and

Ingres, and a never-ending supply of pick-up "art tarts" of both sexes. Bill treated women as a cumbersome form of masturbation: well into his fifties Elaine had a voracious and active appetite for lusty younger men, but with art critics she slept in exchange for reviews that promoted Bill's reputation as a painter. Miss Hall describes all Bill's supporters as dedicated and informed, but for his detractors she employs the terms "Bible-choked" and "tobacco-spitting". In 1964 Bill represented the US at the Venice Biennale, and from then on momentum was enough to keep his reputation rolling and his wife's amateur activities as prostitute brought him no further benefit.

Elaine and Bill, both drunkards, then parted for some years - dates

are not of great importance to Miss Hall, but the period of separation seems to be 1967-1976 and Elaine, a wretched painter in her own right, scratched as living as best she could; of her crutch-centred drawings of President Kennedy, Jackie Kennedy opined that she made him look "like a tag on the Riviera." Elaine rejoined Bill when he began "drifting on to the quicksand of senility" and it is at this point that she revenged herself on the man who had so long eclipsed her. An oil sofa destroyed by alcohol, staring into space or talking drivel to his television set, de Kooning had for some unspecified time had assistants in his studio, and the most loyal of these Elaine dismissed, yet an exhibition in 1982 received the customary rave reviews; Alzheimer's, we were told,

does not affect the part of the brain that inspires painting, and de Kooning's dealers declared that the late paintings, as great as those of Turner and Rembrandt late in life, "are from the mind of a genius." Miss Hall, however, useful at last, leaves women in the minds of those who persist to the end of her dual biography, with the hint that Bill's hand has for years been held, first by his chosen assistants, then perhaps by the conniving minnows of art dealers, and above all by his wife. She died in 1988; he, a sad wreck, is still alive. Shall we ever be told the truth about not only the late work, but the later? It is a wary thought that a blind art market may be paying its many millions for dabs not by de Kooning, but by de Kooning's wife.

Elaine and Bill, Alzheimer's, we were told.

Radical thoughts of a misjudged man

Asa Briggs reflects on the career of Charles Dilke

Immediately preceding these is called "Things Fall Apart".

Nicholls, who seeks to deal with the whole case history of Dilke and not just with his divorce case, best describes his own approach in his final summary: "the time has come to redress the balance, to restore Dilke's achievements as a reformer, and to remember him for his radicalism rather than for his private misfortune that has blighted his reputation for over a century."

According to Nicholls, too much stress should not be placed on unfilled promises. Had he done so, we would have

THE LOST PRIME MINISTER: A LIFE OF SIR CHARLES DILKE
by David Nicholls
Hambledon Press £25, 386 pages

been offered a seminal text. The brief and highly selective history of radicalism set out in David Nicholls's introduction is no substitute.

The most interesting sections of the book concern "practical politics". The correspondence between Dilke and Joseph Chamberlain at the height of their personal and political alliance should be read by all politicians. "Astute Machiavellianism" is a phrase in one of Chamberlain's letters. The unfolding relationship of both men with Gladstone and of Gladstone with them - raises points about politics in a context that is far more revealing than any account of politics in the abstract with personalities left out could ever be. So, too, indeed, does the story of the relationship of each of them to the Queen.

Chamberlain, not Dilke, chose the best phrases. Yet Dilke had qualities which Chamberlain lacked. Ultimately their differences became irreconcilable, and their careers which had hitherto converged now moved in entirely different directions.

At no time were the politics

"pure" nor the conduct complete. Elements of intrigue, of evasion and of conspiracy were often uppermost. More political tricks were known then than now. There were confessions also, however, and public and private could seldom be kept completely apart. Friends and opponents could draw their own conclusions. Lord Derby, for instance, noted that both Dilke and Chamberlain were the only members of the middle class in Gladstone's cabinet and that "the social faction [sic] which a man holds is apt to affect his conduct more than the opinions which he imposes himself to hold".

The sections that attempt to relate the political history of the period - largely through class - to the economic and

social history of the country are disappointing. There was not one long "economic depression" in the background as David Nicholls suggests. Nor can the middle classes be treated in generic fashion.

The heaviness of the language in these sections contrasts with the lustre of language in much of the contemporary political correspondence. Quotes from the press are sparing. Little use is made of just "the papers said", although even headlines tell their own story. The view from Fleet Street was already different from the view from Westminster or Chelsea, where Dilke lived.

Dilke is said to have been reading *Hive Books*, not news papers, on his deathbed, and he was always more drawn to detail than to headlines.

Yet he was afraid of being misjudged. In preparing the first two-volume *Life of Dilke* his niece Gertrude Tuckwell and Stephen Gwynn, aware of the dangers of detail, not only censored much of this material, "leaving out the beds", but destroyed essential primary sources which were in their possession. Sadly Dilke himself had done the same, extending the practice to cover totally unrelated, inherited letters concerned with John Keats's relationship with Fanny Browne. The arrogance that from the start was his least attractive characteristic was to carry over into posterity. There were more secrets at 76 Sloane Street, Chiswick, than there were at Joseph Chamberlain's Highbury, and David Nicholls has had to be a detective as well as an historian.

There may be a lot to be said here about how politics, economics and culture overlap. Sturgis touches on the subject briefly when he suggests that in Britain there was a fashionable intellectual reaction against progress, and in favour of decadence, largely because the Victorian era had lasted so long.

It is a great pity, however,

that historians and literary critics tend to write in separate compartments. This

Sense and insensibility

Raymond J. Dolan on the pathology of celebrity physicians

A number of years ago I attended a public lecture in London, given by Oliver Sacks. The topic was Neurology and the Soul and from his opening words, perhaps burdened by the very weight of the theme, Dr Sacks seemed to betray more than a tincture of anxiety. He admitted as much, explaining that he would have to improvise his lecture as his slides had been stolen from his hotel room.

All too aware that slides serve as an invaluable aide to frame a lecture, my identification with Sacks' dilemma was acute. Here was the stuff of anxiety dreams and the mere fact that he completed his lecture seemed an achievement in itself.

It was a dramatic moment, milked to full effect by a consummate showman. A sense of the dramatic is also evident in the tone and choice of material in Sacks' latest work.

The territory is similar to that of *The Man who Mistook his Wife for a Hat*. We are provided with accounts of seven subjects with unusual psychological problems ranging from an amnesic hippie, a painter with acquired colour blindness, a surgeon with Tourette's syndrome, and a series of subjects with varying degrees of autism in combination with some dramatically hypertrophied residual faculty.

The setting of *An Anthropologist on Mars* is not the clinic, since Sacks has, in his own words, "taken off my white coat and deserted the hospital... to explore my subjects' lives as they live in the real world, feeling in part like a naturalist, examining rare forms of life". Many doctors may feel a pang of envy at the impunity with which Sacks discards his white coat for an exotic location or even a marathon Grateful Dead concert at Madison Square Garden.

He reminds us, however, that he is still primarily "a physician, called here and there to make house calls, house calls at the far border of experience". The careful choice of case material nevertheless suggests that Sacks is unavailable for any old house call. His higher purpose is justified by reference on the one hand to Foucault, who refers to the impulse "to see the pathological world with the eyes of the patient himself", and to Father Brown, G.K. Chesterton's spiritual detective, who in an expression of dissatisfaction with the standard objective mode of science stated that "I don't try to get outside the man, I try to get inside".

A great disappointment of *An Anthropologist on Mars*, then, is that much of the descriptions bear the standard imprint of clinical case description with very little unmasking of the inner world of its subjects. This collective wisdom has, as yet, not taken us much further down the road to understanding. It has, however, told us that scientists, despite a longstanding pretence to the contrary, are not entirely immune to the vanities of public limelight.

■ Raymond J. Dolan is a neuropsychiatrist and Wellcome Fellow in clinical science of the National Hospital for Neurology and Neurosurgery, London.

more difficult to discern than the standard hospital issue variety.

The personality of Sacks himself looms large across each page with his prodigious erudition laid bare for all to see in copious historical quotations and footnotes. These footnotes often catch the doctor with his defences down.

This is most revealing when he expresses an old fashioned neurological ignorance and prejudice against psychiatry in relation to the use of major tranquillisers (the accepted mainstay treatment for the psychoses) which he likens quixotically to the scandal of psychosurgery.

Ultimately what unifies the material in *An Anthropologist on Mars* is that all the subjects display a fundamental defect innate or acquired of consciousness.

The amnesic hippie, apart from memories acquired up to the onset of his illness, is caught in a here-and-now one-minute time window. The surgeon with Tourette's Syn-

AN ANTHROPOLOGIST ON MARS
by Oliver Sacks
Picador £15.99, 336 pages

drome, in his everyday life burdened by unwilling intrusive motor movements, performs surgery with great skill and competence.

Despite devastating impairments, many of the patients have enduring assets and in the case of the autistic patients there are islets of extraordinary ability.

One example is that of Stephen Wiltshire who, despite having autism, has a prodigious talent for precision drawing from memory of complex scenes.

Undoubtedly, these cases illustrate that consciousness is not a unitary phenomenon and that components can be defective without a global impairment. But no new insights are brought to bear on the material, which lacks the fascination and wonder of much that can be found in mainstream contemporary cognitive neuroscience.

An Anthropologist on Mars must inevitably be seen in the context of an increasing preoccupation with human consciousness among scientists and philosophers. Discarding a century of inhibition on the matter, an exponentially increasing number are producing a *fin de siècle* publishing frenzy on the subject.

This collective wisdom has, as yet, not taken us much further down the road to understanding. It has, however, told us that scientists, despite a longstanding pretence to the contrary, are not entirely immune to the vanities of public limelight.

■ Raymond J. Dolan is a neuropsychiatrist and Wellcome Fellow in clinical science of the National Hospital for Neurology and Neurosurgery, London.

Backlash on prudery

Britain and France had

much more in common after 1870 than has since met the eye. France had just been defeated in a lightning war by Prussia. Britain was at the height of its industrial and imperial power. Yet the French recovered very quickly and towards the end of the century it was the British who were going through a fit of depression, fearful of the mounting competition from abroad.

The exchanges between the two countries remained very strong. Witness, for example, the current exhibition at the Barbican, *Impressionism in Britain*, which coincides with the publication of *Passionate Attitudes*, subtitled a study of "the English decadence of the 1890s", by Matthew Sturgis.

The exhibition shows French painters coming to Britain almost as much as the other way round. In literature, however, the British took their lead from France.

There may be a lot to be said here about how politics, economics and culture overlap. Sturgis touches on the subject briefly when he suggests that in Britain there was a fashionable intellectual reaction against progress, and in favour of decadence, largely because the Victorian era had lasted so long.

It is a great pity, however,

that historians and literary critics tend to write in separate compartments. This

isbenny" and "Mr Punch's Pocket Ibsen". A *Punch* limerick on one of his plays began: "There was a young female from Norway/ Who fancied herself in a poor way."

Oscar Wilde, as Sturgis rightly observes, was regarded as a special case. He belonged to no particular school or movement and became a decadent of his own accord. Even his homosexuality came relatively late in his life. Yet when he strayed too far, there was a conservative establishment ready to turn on him. The Marquis of Queensberry, who led the attack, received an astonishing amount of support from clubland and the city.

In the end, however, there may have been a certain amount of remorse for the way Wilde was treated. When he came out of prison and *The Ballad of Reading Gaol*, the poem about his experience, was printed, there was much public interest - so much so that Wilde complained that the critics did not seem to understand that it was "not altogether a pamphlet on prison reform".

Wilde died shortly afterwards - in 1900. The brief period of English decadence was already over. Still, Wilde left more of a mark with his wit than with debauchery.

Malcolm Rutherford

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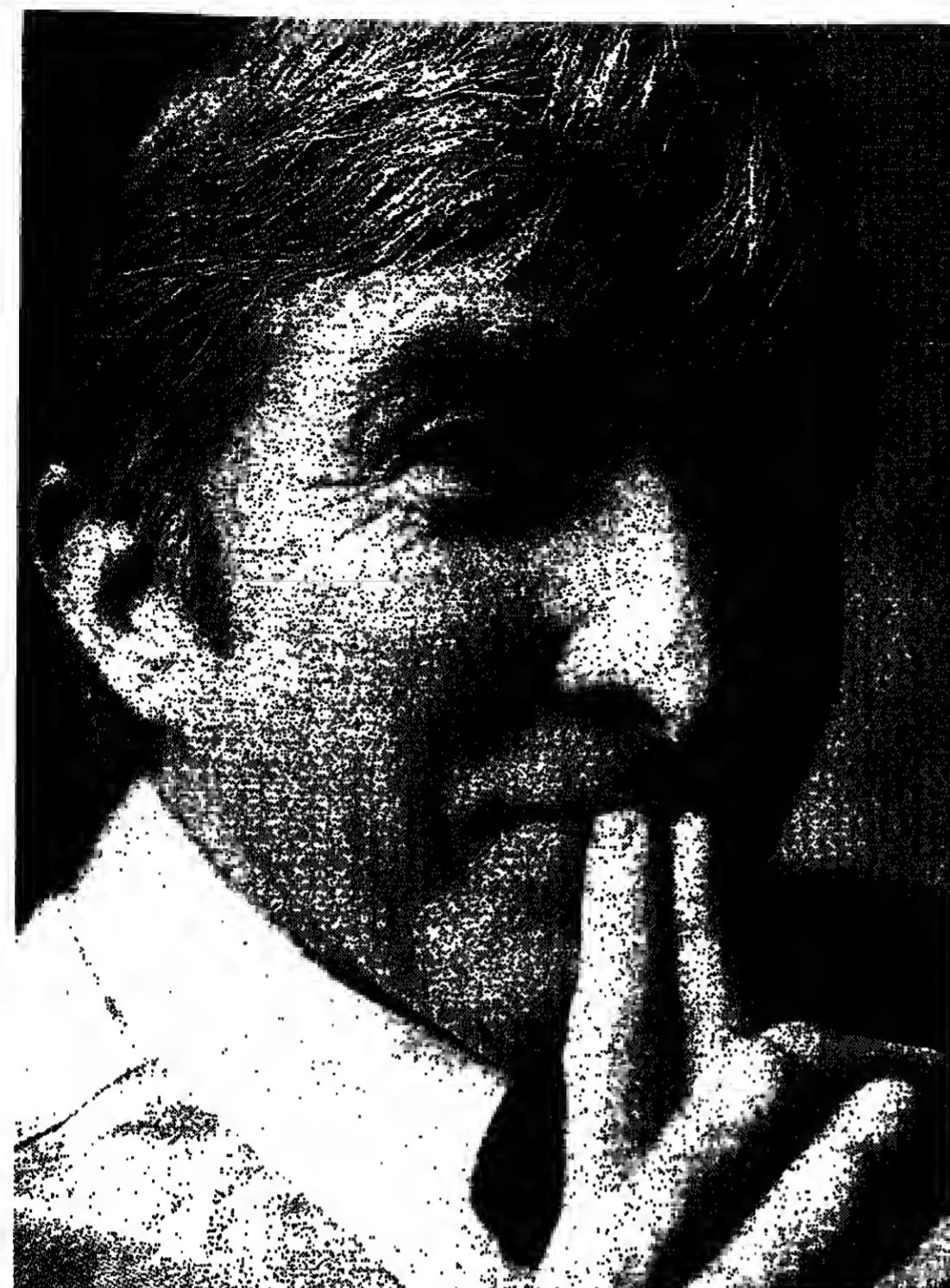
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Sense and
isensibilityRaymond
Chandler

John Updike: his intensity has brought us writing of a seemingly effortless precocity

BOOKS/ARTS

Updike's intimations
of mortality

Even as he contemplates a dying light, John Updike's late work will continue to delight us with the miraculous lacquer of his prose, writes Ian McEwan

Mortality and all its insults have been richly troubling John Updike for many years. His high school basketball hero Rabbit Angstrom was already sensing physical decline in his twenties. Early marriage and the loss of a child seemed to be closing down his life. Four decades later, in the last volume of the tetralogy, Rabbit's route to oblivion, via junk food and terrifying American plenitude, a high-tech heart disease, one final sexual transgression (with his daughter-in-law), one last flight behind the wheel of his car, one last jump at the basketball net on a parking lot had the air of a triumphant progress. But then Rabbit, perhaps like his creator, had been rehearsing all his life.

In his essay *On Being a Self-Forerunner*, this scientifically literate novelist offered himself only the mildest consolations of a reasonable, hesitant, religious pessimism. The yearning for an afterlife, he wrote, springs from "love and praise for the world that we are privileged, in this complex interval of light, to witness and experience". Our faith in an afterlife, "however much our reason ridicules it, very modestly extends our faith that each moment of our consciousness will be followed by another - that a coherent matrix has been prepared for this precious self of ours."

Updike's fine new collection of stories is a celebration of this faith. Much fascinating narrative tension, and much writerly intensity, is derived from precisely the way this "love and praise" sit beside despair in the face of extinction.

The title story transplants two ageing couples from Updike suburbia to the English countryside. The

Eggstones have settled in Norfolk and after a three year interval their friends the Billingers visit. On his first night Carter Billings falls down a short flight of stairs, receiving a thump in his chest and a jolt to his being. The following day Carter accompanies the two women on a drive round storm-lashed Norfolk and everywhere, and perhaps too often, there are visible and subtextual *memento mori* - a heron is seen, like an angel; an array of pylons also suggests angels. Carter himself feels lighter, as though he had grown wings; a tree crashes down across the road, failing to crush the Americans; a torn tree stump is "pointing at the heavens".

Despite this deathly ambience Carter's mood remains "supernaturally serene". The crack on the chest has subliminally informed him that his complex interval of light is nearing its end and he has become transcendent in his acceptance. His perceptions are all love and praise: "A miraculously lacquer lay upon everything, beading each roadside twig, each reed of thatch in the cottage roofs..." The afterlife, it is being suggested here and in other stories in this collection, has already begun, the term being generously redefined to include the Third Agers. Life itself was struggle and advancement - sex, marriages, children, careers, adulteries - but Carter, his wife and their friends "were beyond all that now".

The Afterlife may not be the most successful story in the collection, but it is certainly close to its author's heart in what might well become the calmer, almost post-sexual phase of his maturity.

One begins to see the vast and restless output of this prodigiously talented writer as a search for the appropriate occasions to indulge, by

way of the intensity of his regard, the miraculous lacquer of his prose. For decades the everyday hyper-space of sex, the experience itself and the delirium of betrayal provided its new ground. Considerately the ill or dead cast light, though not always happiness, into the lives of the living. Or the living, numbering their days, find illumination themselves.

In the story *Wildlife*, a man returns to the home of his former marriage in a desolate part of New England and, finding on his grown-up son the mark of a disease brought in by wild deer, is blasphemously glad that he got out in time.

A similar man - they tend to be

sixty-ish, Updike's age - regularly attends a woman who is dying of cancer. She is an old college friend of his ex-wife, and the modest illumination she provides is the understanding that it is not concern or duty that prompts his visits, but voyeurism: he wants to hear about his ex, and re-live the days of his marriage. In *The Man who Became a Soprano*, Updike wittily details the decline and death of a recorder group - the frailest of human societies - with his usual godly grasp of technicalities.

As a whole the collection is as a well-planned novel, rich and tasty in its accumulated wisdom, like a vintage port. Many writers have made hay out of the prospect of extinction. Some rage, others are glumly funny. Like Philip Larkin, with whom he shares very little else, Updike has a taste for the epiphany to relieve the gloom. *The Afterlife* suggests that mortality is about to contain and subsume all his other concerns - the physical and the metaphysical, the ardour and the despair - and that late Updike will delight us even as he raises to our view the grinning skull.

THE AFTERLIFE
by John Updike
Hamish Hamilton £14.99, 316 pages

All too often the cry goes up that he is too good for his own good, that his pages are so cloaked with felicity that his novels lack the saving dullness whereby an author may bend his hero to tie his bootie without surrendering to "the demons of language". This is grudging criticism implying a dim, or dire, aesthetic of the novel. But its frequency suggests that the common ground for Updike's detractors and admirers must be the short story, a form in which miraculous lacquer never comes amiss, a form of which Updike is surely a master. A collection of stories written over a period of time tends, if it has any unity at all, towards cumulative meaning interestingly beyond the writer's conscious intention. It is hard, after all, to control the pattern of one's thoughts. *The Afterlife*, however, seems remarkably focused and deliberate. Perhaps after re-cap-



Simone Young: I want the audience to go out with strong feelings

More than just beautiful notes

Andrew Clark talks to Simone Young, a conductor who does not play safe

She has feminine charm, she knows what she wants without being pushy, and she is enjoying a bigger international career than any other woman conductor. Her name is Simone Young, and she conducts this month's revival of *La bohème* at Covent Garden.

Young, a 35-year old Australian, received excellent notices after her Royal Opera debut a year ago. She made an even bigger splash in 1993 when she became the first woman conductor at the Vienna State Opera. She is now much in demand. Forthcoming engagements include a Schubert concert at the Maggio Musicale in Florence, *Aida* at Sydney in July and *Tosca* at Covent Garden in the autumn - plus her Metropolitan Opera debut in New York.

It looks like Young has well-and-truly arrived - but not without ruffling a few male feathers on the way. "They gave her a tough time at first because they weren't used to taking orders from a woman," says a colleague at the State Opera in Berlin, where Young has been based for the past two years. "A lot of musicians won't give a woman a second chance, the way they would a man. But she's got the right stuff in her - she's not put off by sniping."

Quite the opposite: after her Covent Garden debut, some members of the orchestra described her

as excessively cool. "It's hard for a woman conductor, because she is always has a point to prove," said a member of the Royal Opera's music staff. "If she shows any sign of weakness, they'll say she's not up to it. If she comes over too strong, she's got a chip on her shoulder. She won't make it to the top without collecting a few enemies on the way."

Young says a small percentage of orchestral musicians always finds fault with the conductor - "too pleasant, too gruff, too tall, or in my case, the fact that I'm a woman. Some just don't like figures of authority. It doesn't concern me in the slightest - it's their problem, not mine. I hope I've established the kind of reputation which shows the woman issue no longer applies to me. But you still come across managers who think it's risky employing a woman conductor. At Covent Garden, it was refreshing to find that for once, I wasn't the first."

No-one questions Young's technical expertise. Colleagues say she digests new scores quickly, handles big occasions with ease and has fluent control of complex music. That has been the secret of her success. It explains why Daniel Barenboim was so impressed when he first heard her as a répétiteur at the Bayreuth Festival. He invited her to join his staff at the Berlin State Opera, where her repertoire now

covers all the big Wagner and Strauss operas. The Barenboim imprint has been useful in other ways - opening doors within the profession and allowing her to rehearse works like *Wozzeck* and *Tristan* with first-rate casts.

She grew up in a non-musical family in Sydney. "We didn't have a record-player but we did have a piano. It was good for me because I had to make the sounds myself. The

deal with my parents was that as soon as I stopped practising, the piano would be sold."

The piano stayed. She was in her early teens when she heard her first Verdi - *Simon Boccanegra*. She was hooked. By the time she was 22, she was a répétiteur at the Sydney Opera House. She made her conducting debut two years later, and won a bursary to study in Europe - at the end of which she took a job on the bottom rung of the music staff at the Cologne Opera.

"I knew when I came from Aus-

tralia that I had to go one step back in order to take two steps forward. But once I had established myself in Cologne, I was ready to take whatever opportunities came my way. The German system of *nachdienstigen* - taking over performances which have been rehearsed by someone else - gives you a good foundation. It's something you can only do when you're young, because once you become better known, you can't afford to take those risks."

Her first big break came in October 1992. Harry Knipper had observed her work in Cologne, and asked her to conduct *La bohème* at the Komische Oper in Berlin. "This is how conductors are auditioned in Germany - you're initially invited for just one performance, with minimal rehearsal. But it's a good test. At the end of the performance, Harry asked what else I'd like to do there."

She ended up conducting a new Knipper production of Rimsky-Korsakov's *Tsar Salten*. The high-powered atmosphere in Berlin has dismasted her from accepting invitations to become music director in a smaller city. But her apprenticeship there is reaching a natural end, and she expects to become a full-time freelance next year.

The decision is not just a career move - she also has a family to think about. She and her husband Greg, a language teacher, are cur-

rently house-hunting in the London area, which they see as the most practical base for her travels. When they married, she was the student and he the breadwinner. Now their roles are reversed: he has been taking a degree course in European literature while looking after their seven-year old daughter Yvann. They try to limit periods of separation to a maximum of two weeks, "but it's not easy. Yvann can be a bit clingy the night before I leave for a foreign engagement. Opera houses are getting used to receiving

lots of drawings by fax - it's one way for her to keep in touch."

Young has learned to value the distinction between the various companies she conducts. Working with the all-male Vienna Philharmonic, for example, was "like driving a Rolls Royce - I wanted to send everyone else home and just play with this new toy. But I'm still very much on trial there." The Komische Oper is like a family, "one of the last real ensemble houses, where the chorus gives 150 per cent every time". The Berlin

The tenor stole the show. So what's new? The central character in *Simon Boccanegra* is not a tenor but one of Verdi's great baritones - a seafarer, statesman and dying sage who should bestride the opera like a colossus. The tenor, for once, is reduced to a supporting act - which explains why opera houses rarely spend their top fee on it. But in the Metropolitan Opera's new production, Gabriele Adorno was sung by Plácido Domingo, who had never previously sung the part on stage.

And he stole the show. This was not a case of the star tenor muscled in and upstaged his

colleagues. No, simply by concentrating his resources on a relatively light role, Domingo emerged as an exemplary Gabriele. He announced himself with a rapturous off-stage serenade and set the evening alight with his Act 2 aria of jealousy and despair, thereby shifting the work's dramatic pivot from the council chamber scene to the more intimate machinations which follow.

Elsewhere, he proved a model of discretion, blending subtly and distinctively into the ensembles. The ardent lyricism of the vocal writing plays to Domingo's strengths, bringing out the liquid beauty of his timbre and encouraging him to sing with a freshness reminiscent of his early recital days.

Visually, too, he came over well. There was little of the all-purpose Domingo-as-Domingo which has characterised his operatic work of late. His carriage may no longer be upright, his legs not so agile,

but he moved with sufficient dramatic urgency to bring the impetuous young nobleman to life.

Otherwise, the performance was everything one expects of the Met - a high level of vocal competence within a setting of monumental realism, unimaginatively blocked and dramatically inert. This was partly the conductor's fault. To his credit, James Levine turned the Met orchestra into the instrumental equivalent of a five-star hotel, giving a plush velvet quality to the sombre colours of this score. But it was all too controlled, too evenly paced. The music needs to sound more spontaneous if its sense of drama and conflictive emotion is to come through. Levine gave us a performance for the recording studio: it failed to ignite, still less touch the heart.

His approach might have worked better in the context of a powerful staging. What Giancarlo del Monaco and his designer, Michael Scott, offered

A recent innovation at the Wigmore Hall has been the introduction of rush-hour recitals. Each Wednesday a one-hour programme is on offer at 5pm. Office-workers have the choice of catching it either at the hall itself, where there is an authentic rush-hour crush for seats, or on the way home in a more conventional traffic jam at the M25, since BBC Radio 3 is relaying the recitals live.

The enterprise is one worth celebrating and Margaret Price has evidently taken that to heart. Unfortunately, prior to this week's recital she dropped a champagne bottle on her foot and broke a toe. It was a limping soprano who gamely took her place on the stage, taking the weight off her feet only between the three groups of songs, while Richard Baker (marooned on stage during the music like some benign headmaster overseeing a favourite pupil's efforts) made his announcements for the radio audience.

A song recitalist can cover a lot of ground in one hour, if he or she really wishes. Margaret Price gave us a study of Goethe, contrasting settings of the same poems by different composers and turning the extremely little-known Mignon songs of Schumann into an unexpectedly powerful clincher. It would have helped her purpose if she had been in easier voice from the beginning (the

Schubert suffered from intermittent flat notes) but once the vocal cords were oiled, the recital was up and away.

In the foyer a record company display advertised the release of some of the singer's early recordings (highly recommended). It would be idle to pretend that some of the bloom has not faded since they were made in the 1970s, but the marvel is how much beauty there still is in this voice. In two songs - Mendelssohn's "Erster Verlust" and Schumann's "Lied der Suleika" - the singing was as pure as new. With help from Thomas Dewey's strongly-characterised accompaniments the Schumann songs at the end projected a near-Wagnrian grandeur, heard in attentive silence. At the Wigmore Hall the rush hour can be a haven of peace.

After an interval of a further hour the hall re-opens for the evening recital at 8pm. The Nash Ensemble is in its 30th anniversary season this year and has been marking the occasion by returning to its favourite hunting-ground, the 19th and early 20th-century French repertoire where countless delights remain unnoticed

by other ensembles.

For this fifth programme in their series called "A golden age of Parisian music" they unearthed Caplet's *Comme fantaisie*. This was written in the wake of French enthusiasm for Edgar Allan Poe and takes the form of a musical narrative that makes up in heated climaxes and effects (like the harpist knocking on his harp with his fist) what it lacks in logic. The Nash Ensemble players were on home ground, completing the programme with Saint-Saëns, Debussy and Faure. The next concert in the series will feature Olaf Baer, deserting his usual German territory to join them in songs by Ravel.

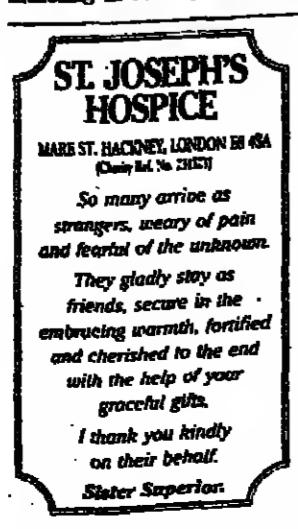
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ARTS



A new acquisition shown off in the re-hang: 'Colonel Mordant's Cock Match', by Zoffany

The Tate dusts down its works

The Tate is both guardian of the past and monitor of the present and, with this sixth re-hang now on show, more of the gallery's rich accumulation is dusted down and brought to light. Nicholas Serota's policy over the last six years has enabled unfashionable schools to be re-examined and resurrected, accepted judgments questioned, new acquisitions put in their proper place and new contexts found for the familiar and acknowledged.

The chief beneficiary has been the British collection, not so much its earlier periods - the 16th, 17th and 18th centuries - which were always treated well, as the 19th century through to the earlier modern period, that before was tucked away in far corners, if shown at all. Now the High Victorian Academy, from Burne-Jones to Sargent

- who each have an end wall to themselves - is given Room 8, one of the finest galleries in the whole place. Burne-Jones and Sargent admittedly have international reputations, but how well the rest stand up to them, Watts and Leighton, Farquharson and Fred Walker. Also the one Victorian school acknowledged internationally, but not seen for decades, is now at the very heart of the Tate - the pre-Raphaelites, with Millais' "Carpenter's Shop" in pride of place.

Another constant of the new policy is the direct integration of British with foreign work. Thus Post-Impressionists Gauguin and Van Gogh, Wilson Steer and Roderick O'Connor are gathered together; we find Leger, Helion, Nash and Wadsworth hung as a coherent group, and Tristram Hillier beside Magritte. Edwardian figuration in

touch with Paris are represented by Gwen John, Nicholson, Rothko and Orpen.

The Hillier, an interior more metaphysical than surreal, is a new acquisition, one of many to confound the enduring *canard* that the Tate is only interested in sticks and bricks: Zoffany's terrific "Colonel Mordant's Cock Match" against the Nawab of Oudh, and Alfred Wallis' "Wreck of the Alba" are others.

Allegorical figurations of the 1920s is represented by Beckmann's "Carnival" beside Dod Proctor's monumen-tally drowsy "Morning". Stanley Spencer's vast "Cookham Resurrection", Gertler's "Queen of Sheba", and three splendid fictions out of the British School at Rome, circa 1920, by Monnington, Colin Gill and Wimifred Knights; figurations of the 1950s by Bal-

thus, Helion and Lucian Freud, Spencer, Minton and Giacometti, Norman Blamey at Mass, Jack Smith at the Kitchen Sink and Ghisha Koenig on the Factory Floor.

The last few rooms give us Pop-Art and minimalism of the 1960s and latter-day expressionism, with Guston and Baselitz, Pollock and Marden. And in the great Duveen Sculpture Halls the 1950s figurative sculpture at one end - Moore, Greco and Caro, Giacometti and Paolozzi - is opposite that of the late 19th century - Rodin and Thorncroft, Alfred Gilbert and Renior - which is where we came in.

William Packer

New Displays 1995: the Tate Gallery, Millbank SW1; sponsored by British Petroleum since 1990.

Marriage of art and craft

Paula Davies on the work of Rie and Coper currently in New York

Unless a pot is a thousand years old it is seldom regarded as a work of art. But a current exhibition at the Metropolitan Museum in New York is likely to overturn this view.

The museum is celebrating the art of two 20th century British potters - Lucie Rie and Hans Coper - with an exhibition of some 80 pieces.

The display, in the museum's department of 20th century art, exemplifies the art as much as the craft of ceramics. A gaze screen separates the work of the two artists in a way which enhances both, linked as they are by a bronze head of Rie by Coper. It was he who started as a novice in her studio in 1946, became her collaborator and, even after he left to pursue his

own vision, remained a lifelong friend.

The head is a remarkable evocation of the redoubtable Lucie who - even at 92 years old - remains refreshingly untouched by her fame. "What do you mean - my pots are becoming valuable?" she said. "It doesn't matter if they break - they are only pots."

Even the coffee services which she and Coper made for shops like Liberty's are now expected to fetch between £2,000 and £3,000. A teapot made £4,000 at auction in December when it was expected to fetch between £500 and £1,400.

The prices of Coper's more sculptural work have gone into the stratosphere. At the same auction at Sotheby's one of his Cycladic forms fetched £18,000 while a six-inch spade form vase was bought for £15,000.

Both Rie and Coper always insisted that they were potters first and last. But Cyril Frankel, head of the ceramics department of Bonhams and long-time supporter of both artists, argues: "to me it is not a question of the medium an artist uses as to whether it is art or craft. It is the quality of the individual maker that matters. Pots they may have called them, but art is what they are."

The dichotomy between fine art and the decorative arts has always seemed invidious and nowhere more so than in this superb exhibition of pieces that are as beautiful as they are.

Lucie once described Hans Coper's work as "explosive", which for such simple sculptural lines seems a strange description. Then you begin to see what she means when she adds, "it is because they have so much in them."

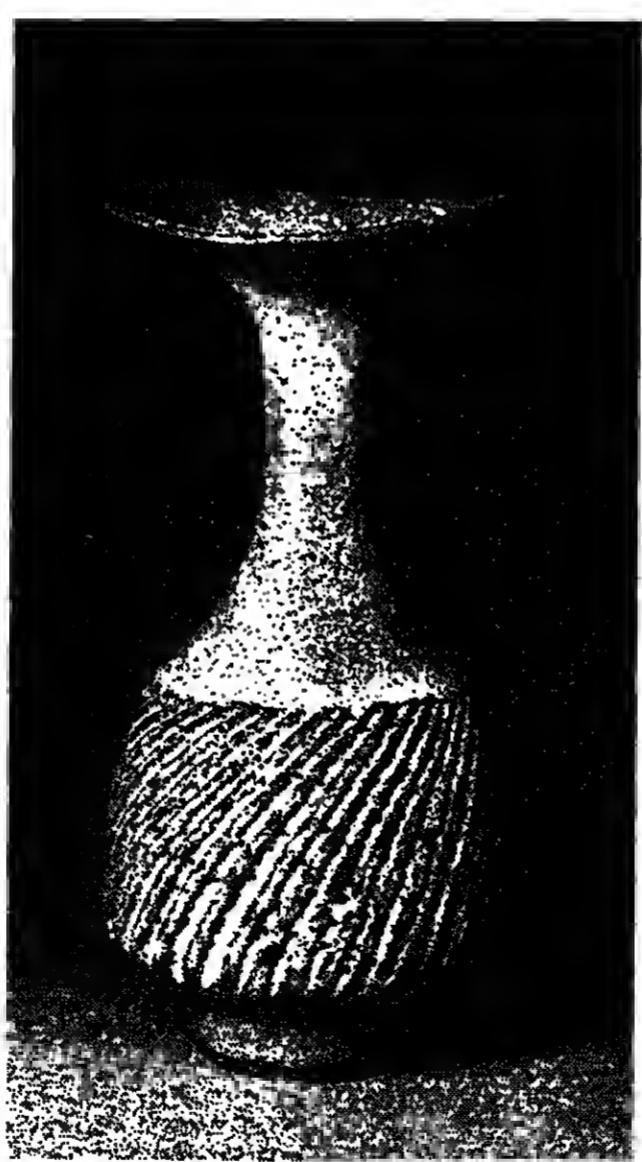
Certainly his unique forms have a commanding presence even when as small in scale as six inches. Her own work, although more conventional and colourful, has a similar strength and cleanness of line that brings to mind the powerful simplicity of Minoan pottery. The work is virtually

impossible to describe - it has to be seen and experienced, but as one collector remarked: "Those pots, they speak to you."

Cyril Frankel believes that, as we approach the millennium and look back on the art of the second half of the 20th century, Lucie Rie and Hans Coper will be spoken of in the same breath as Henry Moore and Francis Bacon as Britain's major contributors to the world of art.

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A stoneware vase made by Lucie Rie, c. 1978

Lucie Rie/Hans Coper: Master-potters by Two British Potters continues at the Metropolitan Museum, New York until May 21, 1995.

Chess No 1090: 1... Rcb 2 Radi Qg6 wins at least the bishop.

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INTERNATIONAL ARTS GUIDE

What's on in the principal cities

■ AMSTERDAM

GALLERIES
Rijksmuseum Tel: 020 673 21 21
■ Art of Devotion 1300-1500: major winter exhibition focusing on the spiritual function of objects in the medieval period; to Feb 26 (Not Sun)
■ Marbled, Chintz and Brocade Paper: an exhibition of decorated paper manufactured in and imported to the Low Countries in the 17th Century; to Feb 12

■ BALTIMORE

THEATRE
Center Stage Tel: (410) 885 3200
■ Slaves: Thinking About The Longstanding Problems of Virtue and Happiness, written by Tony Kushner, directed by Lisa Peterson at 8pm; to Feb 18

■ BARCELONA

GALLERIES
Museu Picasso Tel: (93) 319 69 02
■ Picasso's Early Works: 220 drawings and paintings from the period 1890-1912; to Feb 12 (Not Mon)

■ BERLIN

GALLERIES
Neue Nationalgalerie Tel: (030) 2602653
■ George Grosz, Berlin-New York exhibition of the German Dadaist who emigrated to the US; to Apr 17

OPERA/BALLET
Deutsche Oper Tel: (030) 3 41 92 49
■ Ein Maskenball: by Verdi. Conducted by Rafael Frühbeck de Burgos/Sébastien Lang-Lessing, produced by Götz Friedrich at 7.30pm; Feb 10
■ L'italiana in Alger: by Rossini. Conducted by Ion Marin/Carlo Rizzi, produced by Jérôme Savary at 7pm; Feb 4, 8
■ The Marriage of Figaro: by Mozart. Conducted by Stefan Soltesz, produced by Götz Friedrich at 7pm; Feb 7, 9

■ BOLOGNA

OPERA/BALLET
Teatro Comunale Tel: (051) 529999
■ Macbeth: opera in four parts by the Deutsche Oper Berlin. Music of Verdi at 8.30pm; Feb 5 (3.30pm), 7, 10 (6pm)

■ BONN

GALLERIES
Kunst- und Ausstellungshalle Tel: (0228) 9171 236
■ Wunderkammer of the Occident: a journey through the history of European museums and collections, with more than 2,000 objects that have been collected by Europeans since the Renaissance; to Feb 26 (Not Mon)

OPERA/BALLET
Oper Der Stadt Tel: (028) 7281
■ Carmen: by Bizet. A new production by Gian-Carlo del Monaco, with conductor Michel Sasse, in French with German surtitles at 8pm; Feb 4 (7pm), 10
■ Tanhäuser: by Wagner. Conducted by Jim Kout, production by Götz Friedrich at 8pm; Feb 5

■ BRUSSELS

OPERA/BALLET
De Munt/La Monnaie Tel: (02) 218 22 11
■ Il Tritico: by Puccini. A new production directed by Stein Winge, conducted by Antonio Pappano at 7pm; Feb 5 (3pm), 7, 9

■ DUSSELDORF

GALLERIES
Kunstmuseum Düsseldorf Tel: (0211) 8992400
■ Daniel-Henry Kahnweiler: a visual summary of the German curator's work with pieces by Gris, Braque, Léger, Klee and Picasso; to Mar 19

■ FRANKFURT

GALLERIES
Schirn Kunsthalle Tel: (069) 29 98 82 11
■ Asger Jorn - Retrospective: 167 works by the Danish painter. The fifth chapter in a series of presentations of postwar European artists; to Feb 12

■ LONDON

CONCERTS
Barbican Tel: (0171) 638 8891
■ Contrasts - Tippett's Choice: Chamber concert with LSO chamber players. A specially chosen programme by Sir Michael Tippett that reflects his varied tastes in chamber music at 7.30pm; Feb 9
■ Tippett: Visions of Paradise: opening concert of the 'Visions of Paradise' festival that celebrates the 60th birthday of one of the most eminent living British composers. Sir Colin Davis conducts the London Symphony Orchestra to play Mozart and Tippett's own, 'A Child of Our Time' at 7.30pm; Feb 5
■ Festival Hall Tel: (0171) 928 8800
■ Philharmonia Orchestra: with violinist Kyung-Wha Chung and conductor Kurt Sanderling plays Beethoven and Bruckner at 7.30pm; Feb 4, 8
GALLERIES
Barbican Tel: (0171) 638 8891
■ Impressionism in Britain: the first comprehensive survey of the development of Impressionism in Britain. Over 200 works by over 100 artists including Degas, Rothenstein and Whistler; to May 7
British Museum Tel: (0171) 638 1555



Yves Klein paints a model in 1960. His work is at London's Hayward Gallery Henry Shunk

■ OPERA/BALLET

Bayerische Staatsoper Tel: (089) 22 13 18
■ Don Pasquale: by Donizetti. Conducted by Roberto Abbado. In Italian at 7pm; Feb 7

■ Il Trovatore: by Verdi. Conducted by Miguel Gomez Martinez, produced by Luca Ronconi. In Italian at 7pm; Feb 4, 9
■ The Marriage of Figaro: by Mozart. Conducted by János Márk, produced by Günter Rennert. In Italian at 7pm; Feb 8

■ NEW YORK

■ GALLERIES

Guggenheim Soho Tel: (212) 423 3652
■ Antoni Tapies: fifty of the leading Spanish artist's most important works dating from 1946 to 1991; to Apr 23

Metropolitan
■ Early Renaissance Florence: 100 panel paintings and manuscript illuminations by masters of the Gothic style; to Feb 26 (Not Mon)

■ Thomas Eakins: exhibition honoring the 150th anniversary of the birth of the artist. This installation of about 30 works from the museum's holdings explores the museum's continuing interest in Eakins; to Feb 26

Museum of Modern Art Tel: (212) 780 9480
■ Kandinsky: Compositions: exhibition featuring approximately forty works including seven of the surviving 'Composition' paintings; to Apr 25

Whitney Museum
■ Franz Kline: Black and White 1950-61: major Abstract Expressionist works from the last decade of the artist's life; to Mar 12

■ OPERA/BALLET

Metropolitan Tel: (212) 362 6000
■ Cavalleria Rusticana/Pagliacci: by Mascagni/Lenau/Carlo Goldoni. Production by Franco Zeffirelli, conductor Christian Baden at 8pm; Feb 4, 7, 10

■ Il Barbiere di Siviglia: by Rossini. Produced by John Cox, conducted by David Atherton at 8pm; Feb 6, 9

■ Turandot: by Puccini. Produced by Franco Zeffirelli, conducted by Nello Santi at 8pm; Feb 4, 8

■ THEATRE

Jean Cocteau Repertory Tel: (212) 677 0060
■ The Cherry Orchard: by Chekhov. A new production directed by Eve Adamsen at 8pm; to Mar 3

Joseph Papp Public Theatre Tel: (212) 598 7150
■ The Merchant of Venice: by Shakespeare. Directed by Barry Edelstein, and with Ron Leibman playing Shylock at 8pm; from Feb 5 (Not Mon)

Mitzl E Newhouse Tel: (212) 239 6200
■ Happening: by Tom Stoppard. New York premiere of the play about the head of a UK government espionage agency. Directed by Jack O'Brien, and starring Stockard Channing at 8pm; to Feb 11 (Not Sun)

Royal Court Tel: (0171) 730 1745/2554
■ The Libertine: by Stephen Jeffreys, directed by Max Stafford-Clark. Comedy based on the works of the 2nd Earl of Rochester at 7.30pm; to Feb 18

Wyndhams Tel: (0171) 369 1736
■ Three Tall Women: by Edward Albee, directed by Anthony Page. With Maggie Smith, Frances de la Tour and Anastasia Hille at 8pm; (Not Sun)

Promenade Theatre Tel: (212) 239 6200
■ Happening: by Tom Stoppard. New York premiere of the play about the head of a UK government espionage agency. Directed by Jack O'Brien, and starring Stockard Channing at 8pm; to Feb 11 (Not Sun)

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■ Three Tall Women: by Edward Albee, directed by Anthony Page. With Maggie Smith, Frances de la Tour and Anastasia Hille at 8pm; (Not Sun)

Riverside Studios Tel: (0181) 741 2251
■ Hancock's Last Half Hour: by Heathcote Williams, directed by Mark Piper. Set in a Sydney rented apartment, Jim McManus relives comedian Tony Hancock's last hours at 8pm; to Feb 11 (Not Sun)

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■ THEATRE

Arena Stage Kreeger Theater Tel: (202) 554 9066
■ Vita and Virginia: by Eileen Atkins. The relationship between Virginia Woolf, (played by Atkins) and Vita Sackville-West (played by Vanessa Redgrave). Zoe Caldwell directs at 8pm; (Not Mon)

Roundabout Theatre Company Tel: (212) 883 8400
■ The School for Husbands/The Imaginary Cuckold: by Molière. Michael Langham directs this Richard Wilber translation starring Brian Bedford at 8pm; to Mar 12 (Not Mon)

Union Square Tel: (212) 307 4100
■ Vita and Virginia: by Eileen Atkins. The relationship between Virginia Woolf, (played by Atkins) and Vita Sackville-West (played by Vanessa Redgrave). Zoe Caldwell directs at 8pm; (Not Mon)

■ OPERA/BALLET

Washington Opera Tel: (202) 418 7800
■ Semba: by Handel. Conductor Martin Pearlman. Roman Totenberg directs a Zack Brown production at 8pm; Feb 8 (7pm), 9

■ The Bartered Bride: by Smetana. Conducted by Heinz Fricke. In English at 8pm; Feb 5 (2pm), 8

■ THEATRE

Arena Stage Kreeger Theater Tel: (202) 554 9066
■ Hedge Gables: Henrik Ibsen's drama, directed by Liviu Ciulei and translated by Christopher Hampton at 7.30pm; to Mar 19 (Not Mon)

■ Opera Stage, Fichandler Theater Tel: (202) 488 3300
■ Long Day's Journey into the Night: Eugene O'Neill's classic American drama, directed by Douglas Wager at 7pm; to Feb 5 (Not Mon)

Kennedy Centre Tel: (202) 467 4600
■ Measure for Measure: by William Shakespeare. Directed by Michael Langham and translated by Christopher Hampton at 7.30pm; to Mar 19 (Not Mon)

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Weekend

INVESTOR

Wall Street

Sharp frost expected to chill confused market

Fed plans further action to keep the economy under control, reports Maggie Urry

Wall Street has had a good week and had regained the 3,900 level by Friday morning. But as New York braced itself this weekend for the first snowstorm of a remarkably mild winter, many strategists were expecting a sharp frost for the market before a resurgence in the spring.

The first good news came on Tuesday when President Clinton, with the air of a magician pulling a startled rabbit from a hat, flourished a \$50bn package of loans for Mexico. It came just when people were beginning to despair that Congress would ever pass the smaller \$40bn loan guarantee deal needed to save the peso.

That cleared the way for the Fed's open market committee to concentrate on purely domestic issues when it met on Tuesday and Wednesday to decide what to do about interest rates.

The half percentage point increase to 6 per cent on Wednesday had been widely expected but was still able to spark a rally which continued on Thursday and Friday.

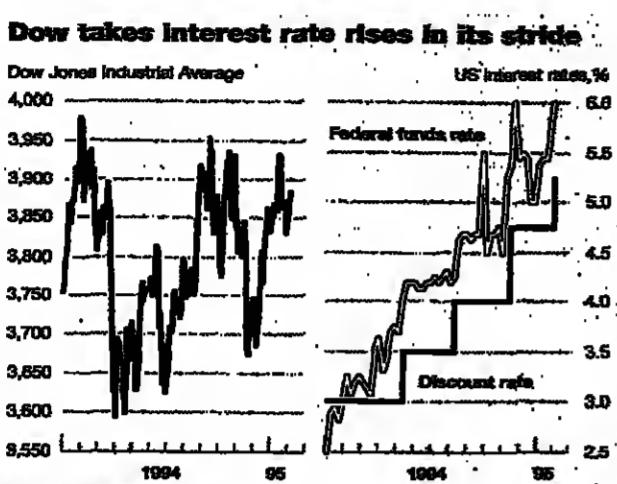
But while the increase was exactly as expected, the accompanying statement was not. The Fed made clear that there would have to be further rate increases in coming months.

Many Wall Streeters hope there will only be one more, perhaps as little as another half point after the March (or possibly the May) meeting. But others fear the continuing strength of the economy will demand tougher corrective action.

There was much in the Fed's remarks to support that. It said that while there were tentative signs of moderating growth, economic activity was still running at a substantial pace and "resource utilisation" had risen further.

It stressed, too, the need to keep inflation constrained to promote sustainable economic growth. By sustainable, economists think the Fed is looking for a 2½ per cent annual growth rate in GDP - not the 4½ per cent seen in the last quarter of 1994.

Given that the Fed has doubled short-term interest rates over the past year (from 3 to 6 per cent) and the economy is still racing ahead, some strategists - such as Joseph McAlinden at Dillon Read - are expecting rates to rise by another 1½ percentage points



Source: Ft Graphics

by the time summer arrives.

The bond market, where analysts seem to have generally more pessimistic natures and where the real money was lost in 1994, did not respond as quickly to the Fed's move, with long yields shading only slightly on Wednesday and Thursday.

That market also has to worry about the coming week's quarterly re-financing, when the Treasury aims to sell \$40bn of bonds.

But even bonds joined in the rally on Friday following unexpectedly weak employment data for January. The jobless rate, which had been predicted to stay at December's level of 5.4 per cent, turned out at 5.7 per cent.

Within the detail of the figures, however, were some more worrying numbers, such as the rise in hourly earnings and weekly hours.

The mild weather could well be a contributor to confusing statistics. Take clothing sales, which have been weak in the absence of snow. Because this has led to poor retail sales, stores have been slashing prices to move stock, so helping to keep inflation down.

Likewise, the unseasonable weather has kept down energy prices, which are an important cost to business. And perhaps the weak employment numbers for January reflected the lack of the usual extra work for snow-clearers.

On the other hand, construction activity which normally stops in snowy weather, has been able to continue. If last week's Groundhog Day prediction from the weather-forecasting Pinxhawer Phil is anything to go by, an early spring

Dow Jones Ind Average

Monday	3,882.08	+2.91
Tuesday	3,843.85	+3.17/2.8
Wednesday	3,847.56	+3.20
Thursday	3,870.77	+2.21
Friday	n/a	n/a

Shares march to base rate beat

Philip Coggan tracks a relationship which has a history of ups and downs

Markets, don't you just love them? Only last week the long-awaited megahit from Glaxo for Wellcome, the subject of many a trader's prayer, coincided with a 40-point drop in the FT-SE 100 Index.

This week, the third rise in base rates since September, coming barely 17 hours after a further increase in US interest rates, pushed the Footsie up 17 points on the day.

Over the week as a whole, Footsie managed a respectable 1.2 per cent rise to 3,059.7 and is only 17 points short of its best for the year.

The rationale behind this apparently perverse market response is, of course, expectation. Traders were expecting base rates to rise half a percentage point; they were braced for the news.

Indeed, had rates not risen, stocks would probably have fallen, since Kenneth Clarke, the chancellor and Eddie George, the Bank of England

not only do rising rates raise

industry's costs and restrict consumer demand, they also increase the attractions of cash relative to shares.

Nevertheless, it would be a mistake to think that in the medium term, shares can easily shrug off the effect of rising interest rates. Over the past 17 years, base rates have been changed more than 100 times; about once every two months.

Like the Grand Old Duke of York's army, rates have been

marched up to the top of the hill in 11 phases when they increased, and marched back down again in 10 spells of decline.

In the 11 periods when interest rates were rising (measured from trough to peak), the FT-SE A All-Share Index managed an average gain of under 2 per cent. During six of those periods, the index fell.

In contrast, during the 10 periods when rates were falling, the index managed an average gain of 22 per cent. The market's preference for declining rates is clear.

Not only do rising rates raise



Hard men: Eddie George (left) and Kenneth Clarke

crucial point is this: when the indicator, having fallen below zero, starts to turn up, it is time to buy the market.

In other words, the indicator reveals a point when investors have started to recover confidence after a downturn. According to Marber, the indicator has failed on only one occasion since the Second World War (in 1943); the last signal was in February 1991, when the index was 2,380.6.

The bad news is the Coppock indicator is not giving a buy signal at the moment. But it may be getting ready to do so: the indicator fell below zero in December, dropping even further at the end of last month.

It may take some months before the signal arrives. According to my calculations, Footsie would need to end February at around 3,265 to create a buy signal: quite an advance from its current level.

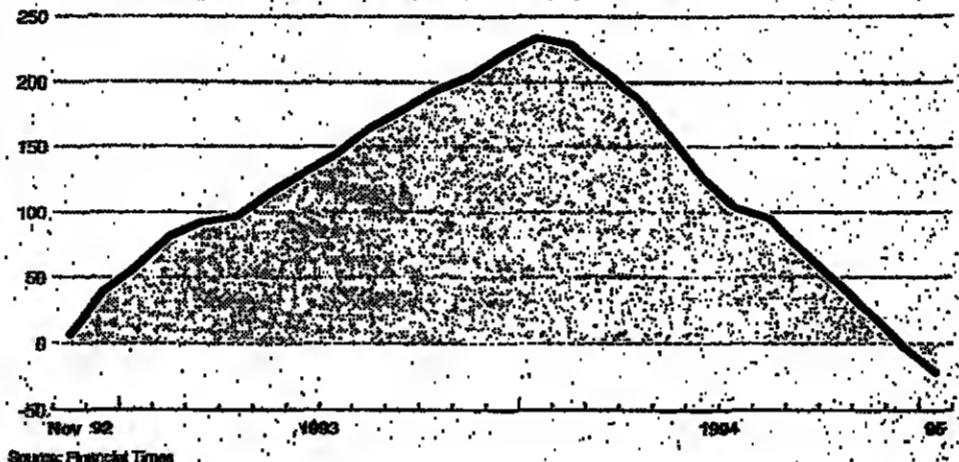
This column is eager to bring market signals to the attention of FT readers, and chartist Brian Marber has highlighted one long-term barometer - the Coppock indicator.

This was devised by a US investor, Edwin Coppock. He was asked to advise the Episcopalian Church, which wanted an indicator of what would be a low risk time to buy shares; as a long term investor, it was not interested in selling.

Coppock felt that psychological and emotional factors played a large part in the behaviour of investors. He therefore asked the Church how long it took for individuals to recover from grief; the answer was 11-14 months.

The indicator is therefore based on the difference between the value of an index and its level 11 and 14 months ago. The maths is fiddly, rather than high-powered, but the

Coppock indicator: getting ready for a buy signal?



■ Highlights of the week

	Price	Change	1994/95	1994/95	Heavy corporate activity
FT-SE 100 Index	3,059.7	+37.5	3,020.3	2,979.6	Second liners overlooked
FT-SE Mid 250 Index	3,390.2	+8.0	4,152.8	3,383.4	Profit warning
ACT Group	78	+16	187	79	Placing and open offer
Benson & Hedges	26	+9	72	18	Bid approach
Costain Group	234	+14%	42	174	Breakup talk
Kingfisher	428.1	+15%	778	379	Selective buying
Land Securities	576	+23	782	543	Takeover speculation
Lasmo	151	+4	168	110%	Profits due Wed
Lloyd's Abbey Life	361	+31	471	313	Takeover hopes
Nordin & Peacock	148	+7	282	128	Profit downgrades
Powell Durlin	483	+25	885.6	483	Brokers say overvalued
SmithKline Beecham A	473	+28	479	357%	Takeover speculation
TSB	252	+9	291	197	New York SE listing
Thorn EMI	1,050	+32	1,165	959	
Tomkins	235.7	+16	253	202	

Barry Riley

What a difference a year makes

But how long can the US market withstand the pressure?

It is a year since Alan Greenspan, chairman of the US Federal Reserve Board, signalled the end of the bull market by raising short-term interest rates from 3 to 3½ per cent. He was at it again this week, turning the screw gently for the seventh time in 12 months.

Just 18 hours later, British rates followed dutifully, although the increase was only the third in five months.

Even after the latest rise, the Federal rate for funds - now at 6 per cent - is at a level by historical standards. After all, this is the same level at which US interest rates bottomed during the previous cycle back in 1986 (when inflation was not much higher than now).

Subsequently, in 1989 US rates peaked at 9 per cent. In the context of a strong economy, the present dollar interest rates can be regarded only as neutral rather than high.

What a difference a year makes, however. The period of 3 per cent interest rates from late 1992 to early 1994 reflected the pumping of liquidity into the US economy on a vast scale. From there it leaked, then poured out.

At home, the closing of the tap a year ago had a big impact on the bond market: the US Treasury long bond yield has risen from 6.3 to 7.8 per cent. But the main impact has been seen around the

globe.

European stock markets, such as the UK and France, are down some 10 per cent (in dollars); the Hong Kong stock market has tumbled by 40 per cent; and Mexico, into which a lot of American money went, has collapsed by around 50 per cent.

Elsewhere, yields on more exotic third world paper - such as Brady bonds, in which US institutions were dabbling in search of return - but in peril of their capital - have rocketed. Yet the US stock market has remained immune, being within about 2 percentage points of its level a year ago.

How long can it continue to withstand the pressure? As John Train, the New York money manager and sage, pointed out in these pages a couple of weeks ago, there is an old rule (promoted by legendary investor Edison Gould) that Wall Street will stumble after three successive interest rate hikes.

Why not, then, after five or six, let alone seven? It could be because they have been only small steps, bringing rates up barely to normal levels.

Only now, with certificates of deposit returning about 7 per cent, will US savers be tempted seriously to forgo the stocks and mutual funds into which they began to flee when savings rates dipped towards 3 per cent in 1992.

Meanwhile, the yield relationships in the gilt-edged market still imply that investors are assuming UK inflation will run at 4 per cent and taxes rising, real personal

term. This is above the top of the present 1 to 4 per cent target band, let alone the tighter range - perhaps 0 to 3 per cent - which the British treasury and the Bank are said to be aiming more tellingly at Wall Street.

In the UK, interest rates turned only in September, but they troughed at a much higher level than across the

disposable income scarcely rose at all in 1994.

The personal sector, too, is bearing a heavy debt burden from which, unlike the company sector, it has been unable to wriggle since the recession bottomed out three years ago.

There were protests against the rise from industrialists who, judging by last week's Confederation of British Industry industrial trends survey, plan to cause the acceleration of inflation by putting up their prices. Indeed, the latest data - from the Purchasing Managers' Institute - suggests that business growth in manufacturing is already cooling off but output prices are accelerating. There is more justifiable hostility, however, from the mortgage industry, hit by falling house prices.

The trouble is, there are two economies out there in the UK. One, centred on manufacturing (especially for export), has been booming. It has been stimulated by the competitive level of sterling since exiting from the European exchange rate mechanism in 1992. Industrial production rose by more than 5 per cent last year, exports by some 6 per cent.

But the services sector, which is substantially bigger, has been much quieter. As for individuals, with pay inflation less than 4 per cent and taxes rising, real personal

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